



KING WAN CORPORATION LIMITED

Incorporated in Singapore (Company Registration No. 200001034R)

Second Quarter & Half-Year Results – Financial Statement And Related Announcement

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

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

KING WAN CORPORATION LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

	Note	GROUP SECOND QUARTER ENDED 30 SEPTEMBER			GROUP HALF YEAR ENDED 30 SEPTEMBER		
		2019 S\$	2018 S\$	Increase/ (Decrease)	2019 S\$	2018 S\$	Increase/ (Decrease)
Revenue	1	16,151,551	21,628,848	-25%	33,331,861	38,240,911	-13%
Cost of sales		(15,006,899)	(19,688,026)	-24%	(30,597,176)	(33,429,493)	-8%
Gross profit	2	1,144,652	1,940,822	-41%	2,734,685	4,811,418	-43%
Other operating income							
Dividend income		7	4	75%	139	9,686	-99%
Net foreign exchange gain		5,560	14,228	-61%	5,560	15,233	-64%
Gain (loss) on disposal of property, plant and equipment	3	24,650	(1,341)	-1938%	24,650	-	n.m
Change in fair value of held-for-trading investments		-	11,480	-100%	-	11,480	-100%
Change in fair value of insurance contract		6,503	2,049	217%	7,603	11,711	-35%
Interest income	4	222,154	202,599	10%	505,153	441,498	14%
Management fee income		32,126	27,295	18%	59,407	54,239	10%
Rental income		156,765	161,182	-3%	320,370	327,315	-2%
Fee income from financial guarantee to associates	5	45,285	61,664	-27%	90,570	123,327	-27%
Sundry income		2,157	44,444	-95%	17,323	73,795	-77%
		495,207	523,604	-5%	1,030,775	1,068,284	-4%
Administrative expenses	6	(1,319,131)	(1,729,349)	-24%	(2,933,691)	(3,281,967)	-11%
Share of profit (loss) of associates and joint venture	7	43,773	233,406	-81%	75,545	(102,292)	-174%
Finance costs	8	(392,118)	(305,067)	29%	(717,778)	(562,305)	28%
(Loss) Profit before income tax		(27,617)	663,416	-104%	189,536	1,933,138	-90%
Income tax expense	9	(113,719)	(198,547)	-43%	(146,875)	(547,510)	-73%
(Loss) Profit for the period		(141,336)	464,869	-130%	42,661	1,385,628	-97%
Other comprehensive (loss) income:							
<i>Item that will not be reclassified subsequently to profit or loss</i>							
Net fair value loss in equity securities carried at fair value through other comprehensive income ("FVTOCI")	10	(5,077,813)	(280,853)	1708%	(5,650,752)	(3,302,826)	71%
<i>Items that may be reclassified subsequently to profit or loss</i>							
Exchange differences on translation of foreign operations		77,184	361,251	-79%	78,633	309,106	-75%
Other comprehensive (loss) income for the period		(5,000,629)	80,398	-6320%	(5,572,119)	(2,993,720)	86%
Total comprehensive (loss) income for the period		(5,141,965)	545,267	-1043%	(5,529,458)	(1,608,092)	244%

Second Quarter (2Q2020) and Half Year ended 30 September 2019 (1H2020)

Note 1 - The decrease in the Group's turnover was due to lower volume of Mechanical and Electrical (M&E) contracts in progress in 2Q2020. Revenue for 1H2020 recorded S\$33.33 million, a 13% decrease compared to 1H2019.

Note 2 - The decrease in gross profit was due to absence of dividend income received from investment in equity securities, as well as profits of certain projects with relatively lower margin being recognised in 2Q2020. Gross profit margin for 1H2020 was 8.20%, which was lower than the 12.58% achieved in 1H2019.

Note 3 - Gain on disposal of property, plant and equipment was due to sale of certain older motor vehicles in 2Q2020 and 1H2020.

Note 4 - Higher interest income from loans to associates and joint venture was due to interests being accrued on a higher carrying amount of advances to associates and joint venture (net of allowances) in 2Q2020 and 1H2020.

Note 5 - Lower fee income from financial guarantees was due to associates and joint venture utilising lesser bank borrowings in 2Q2020 and 1H2020.

Note 6 - Included in administration expenses are the following:

		SECOND QUARTER ENDED			HALF YEAR ENDED		
		30.09.2019 S\$	30.09.2018 S\$	(Increase)/ Decrease S\$	30.09.2019 S\$	30.09.2018 S\$	(Increase)/ Decrease S\$
(Loss allowance) Reversal of loss allowance for trade receivables		(3,828)	(2,295)	(1,533)	(2,188)	4,839	(7,027)
Net foreign exchange gain		853	-	853	-	-	-
Change in fair value on held-for-trading investments	i	(35,400)	2,469	(37,869)	(38,771)	-	(38,771)
Gain (Loss) on disposal of property, plant and equipment	ii	933	(36,939)	37,872	-	(36,939)	36,939
JTC rental		(75,555)	(72,651)	(2,904)	(151,110)	(145,301)	(5,809)
Property tax		(36,044)	(32,500)	(3,544)	(70,906)	(65,000)	(5,906)
Reversal of allowance for inventory obsolescence		-	-	-	-	-	-
Directors' remuneration	iii	(166,319)	(274,191)	107,872	(439,940)	(549,383)	109,443
Directors' fees		(44,000)	(44,000)	-	(88,000)	(88,000)	-
Staff related expenses	iii	(346,331)	(606,067)	259,736	(950,603)	(1,214,437)	263,834
Depreciation	ii	(210,441)	(221,124)	10,683	(427,668)	(455,217)	27,549

i. Loss on fair value on held-for-trading investments in 2Q2020 and 1H2020 were due to lower closing market price of quoted equity securities at the end of the reporting period.

ii. Net loss on disposal of property, plant and equipment in 2Q2019 and 1H2019 whereas it was a net gain accounted under 'other operating income' in 2Q2020 and 1H2020 (refer to Note 3 above).

iii. Lower directors' remuneration and staff related expenses were mainly due to adjustment made to variable component.

ii. Lower depreciation in 2Q2020 and 1H2020 was due to fewer property, plant and equipment subject to normal depreciation.

Note 7 - The share of profit of associates and joint venture in 2Q2020 and 1H2020 were mainly derived from its investment in Singapore residential development project. The share of loss of associates and joint venture in 1H2019 was mainly due to finance costs incurred by the Group's investment in real estate business in Dalian, China, which is partially offset by the recognition of share of profit from its investment in Singapore residential development project.

Note 8 - Higher finance costs was mainly due to higher effective borrowing interest rate in 2Q2020 and 1H2020.

Note 9 - Higher effective tax rate in 2Q2020 and 1H2020 was mainly due to absence of dividend income received from investment in equity securities, and increase in expenses that are not allowed for tax deduction.

Note 10 - Lower net fair value loss on FVTOCI in 2Q2020 and 1H2020 was due to lower closing market price of quoted equity securities at the end of the reporting period, which was partially offset by the appreciation of THB against SGD.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

KING WAN CORPORATION LIMITED (GROUP)
STATEMENT OF FINANCIAL POSITION

	As at 30.9.2019	As at 31.3.2019
	S\$	S\$
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	2,791,131	4,988,367
Trade receivables	9,477,851	7,810,449
Other receivables and prepayments	6,597,902	6,440,757
Held-for-trading investments	249,014	287,785
Inventories	779,331	960,306
Contract assets	24,097,692	24,404,329
Total current assets	43,992,921	44,891,993
Non-current assets		
Other receivables	42,071,861	40,116,636
Property, plant and equipment	3,856,611	4,230,008
Investment in associates and joint venture	3,744,929	3,650,200
Investments	23,075,719	28,718,868
Deferred tax assets	385,454	290,641
Total non-current assets	73,134,574	77,006,353
Total assets	117,127,495	121,898,346
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities		
Bank borrowings	13,846,176	14,616,096
Contract liabilities	517,688	823,309
Trade payables	10,619,426	11,317,862
Bills payables	21,935,517	19,825,988
Other payables	2,704,789	1,960,133
Current portion of finance leases	276,004	273,743
Provision for rectification costs	558,553	1,153,888
Income tax payable	674,294	836,057
Total current liabilities	51,132,447	50,807,076
Non-current liabilities		
Bank borrowings	1,250,000	750,000
Finance leases	515,105	581,869
Total non-current liabilities	1,765,105	1,331,869
Capital and reserves		
Share capital	46,813,734	46,813,734
Retained earnings	38,369,300	38,326,639
Foreign currency translation reserve	9,738	(68,895)
Investment revaluation reserve	(20,962,829)	(15,312,077)
Total equity	64,229,943	69,759,401
Total liabilities and equity	117,127,495	121,898,346

KING WAN CORPORATION LIMITED (COMPANY)
STATEMENT OF FINANCIAL POSITION

	As at 30.9.2019	As at 31.3.2019
	S\$	S\$
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	307,344	281,220
Other receivables and prepayments	9,298	9,583
Amount due from subsidiaries	7,009,572	6,994,592
Total current assets	7,326,214	7,285,395
Non-current assets:		
Investment in subsidiaries	31,699,413	31,699,413
Investment in associates and a joint venture	941,960	941,960
Investments	17,750,108	22,139,638
Property, plant and equipment	-	-
Total non-current assets	50,391,481	54,781,011
Total assets	57,717,695	62,066,406
<u>LIABILITIES & EQUITY</u>		
Current liabilities:		
Other payables	910,799	974,376
Amount due to a subsidiary	13,742,257	12,956,813
Income tax payable	4,327	2,044
Total current liabilities	14,657,383	13,933,233
Capital and reserves:		
Share capital	46,813,734	46,813,734
Retained earnings	12,530,600	13,213,931
Investment revaluation reserve	(16,284,022)	(11,894,492)
Total equity	43,060,312	48,133,173
Total liabilities and equity	57,717,695	62,066,406

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30.9.2019		As at 31.3.2019	
Secured	Unsecured	Secured	Unsecured
\$276,004	\$35,781,693	\$273,743	\$34,442,084

Amount repayable after 1 year

As at 30.9.2019		As at 31.3.2019	
Secured	Unsecured	Secured	Unsecured
\$515,105	\$1,250,000	\$581,869	\$750,000

Details of any collateral

Secured liabilities refer to assets purchased under finance lease agreements. Unsecured liabilities refer to banking facilities guaranteed by the Company.

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

KING WAN CORPORATION LIMITED
STATEMENT OF CASH FLOWS

	Note	GROUP SECOND QUARTER ENDED		GROUP HALF YEAR ENDED	
		30.9.2019 S\$	30.9.2018 S\$	30.9.2019 S\$	30.9.2018 S\$
Operating Activities					
(Loss) Profit before income tax		(27,617)	663,416	189,536	1,933,138
Adjustments for					
Depreciation of property, plant and equipment		210,315	221,124	427,542	455,217
(Gain) Loss on disposal of property, plant and equipment		(25,583)	38,280	(24,650)	36,939
(Reversal of) Loss allowance for trade receivables and contract assets		(548)	2,295	(2,188)	(4,839)
Change in fair value of held-for-trading investments		35,400	(13,949)	38,771	(11,480)
Change in fair value of insurance contract		(6,503)	(2,049)	(7,603)	(11,711)
Dividend income from held-for-trading investments		(7)	(4)	(139)	(9,686)
Dividend income from investment in equity securities		-	-	-	(707,748)
Interest income		(222,154)	(202,599)	(505,153)	(441,498)
Interest expense		392,118	305,067	717,778	562,305
Share of (profit) loss of associates and joint venture		(43,773)	(233,406)	(75,545)	102,292
Provision for rectification costs		37,650	-	37,650	-
Fee income from financial guarantee to associates and joint venture		(45,285)	(61,664)	(90,570)	(123,327)
Operating cash flows before movements in working capital		304,013	716,511	705,429	1,779,602
Trade receivables		(25,042)	2,587,898	(1,665,214)	469,331
Other receivables and prepayments		(131,996)	26,242	(87,143)	10,242
Contract assets		(421,064)	(283,371)	306,763	2,201,477
Inventories		186,947	2,536	180,975	100,731
Trade payables and bill payables		515,029	2,921,812	1,411,093	(712,277)
Contract liabilities		(632,193)	(1,297,630)	(305,621)	(2,110,124)
Other payables		365,797	612,420	835,226	1,238,060
Provision for rectification costs		(383,386)	(53,320)	(632,985)	(157,613)
Cash (used in) generated from operations		(221,895)	5,233,098	748,523	2,819,429
Income tax paid		(289,438)	(314,442)	(403,451)	(628,896)
Interest paid		(392,118)	(305,067)	(717,778)	(562,305)
Net cash (used in) from operating activities		(903,451)	4,613,589	(372,706)	1,628,228
INVESTING ACTIVITIES					
Interest received		2,972	4,828	6,340	8,851
Advances to associates and joint venture		(625,000)	(855,000)	(1,465,000)	(2,420,000)
Dividends received from held-for-trading investments		7	4	139	9,686
Dividends received from investment in equity securities		-	-	-	707,748
Purchase of property, plant and equipment	a	(19,086)	(43,304)	(35,536)	(53,075)
Proceeds from disposal of property, plant and equipment		77,877	894	77,877	2,294
Net cash used in investing activities		(563,230)	(892,578)	(1,416,180)	(1,744,496)
FINANCING ACTIVITIES					
Repayment of obligations under finance leases		(69,138)	(72,149)	(136,465)	(148,340)
Proceeds from bank borrowings		866,675	1,000,000	1,750,000	2,300,000
Repayments of bank borrowings		(856,494)	(4,657,230)	(2,019,920)	(5,312,394)
Net cash used in financing activities		(58,957)	(3,729,379)	(406,385)	(3,160,734)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,525,638)	(8,368)	(2,195,271)	(3,277,002)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		4,318,419	5,257,732	4,988,367	8,524,522
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON BALANCES HELD IN FOREIGN CURRENCIES		(1,650)	(2,657)	(1,965)	(813)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	b	2,791,131	5,246,707	2,791,131	5,246,707

Note a

	GROUP SECOND QUARTER ENDED		GROUP HALF YEAR ENDED	
	30.9.2019 S\$	30.9.2018 S\$	30.9.2019 S\$	30.9.2018 S\$
Purchase of property, plant and equipment	91,048	43,304	107,498	53,075
Less : Assets purchased under finance leases arrangement	(71,962)	-	(71,962)	-
Net	19,086	43,304	35,536	53,075

Note b

Cash and cash equivalents consist of cash, bank balances, less bank overdrafts as follows:

	GROUP As at	
	30.9.2019 S\$	30.9.2018 S\$
Cash and bank balances	2,791,131	5,246,707
Bank overdrafts	(308,998)	-
Net	2,482,133	5,246,707

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital	Retained earnings	Foreign currency translation reserve	Investment revaluation reserve	Total
	S\$	S\$	S\$	S\$	S\$
Balance as at 1 April 2018	46,813,734	35,953,166	250,356	(13,615,728)	69,401,528
Total comprehensive loss for the year:					
Profit for the year	-	1,385,628	-	-	1,385,628
Other comprehensive loss for the year	-	-	309,106	(3,302,826)	(2,993,720)
Balance as at 30 September 2018	46,813,734	37,338,794	559,462	(16,918,554)	67,793,436
Balance as at 1 April 2019	46,813,734	38,326,639	(68,895)	(15,312,077)	69,759,401
Total comprehensive income for the year:					
Profit for the year	-	42,661	-	-	42,661
Other comprehensive loss for the year	-	-	78,633	(5,650,752)	(5,572,119)
Balance as at 30 September 2019	46,813,734	38,369,300	9,738	(20,962,829)	64,229,943

COMPANY	Share capital	Retained earnings	Investment revaluation reserve	Total
	S\$	S\$	S\$	S\$
Balance as at 1 April 2018	46,813,734	13,794,677	(10,576,760)	50,031,651
Total comprehensive loss for the year:				
Loss for the year	-	(310,135)	-	(310,135)
Other comprehensive loss for the year	-	-	(2,565,650)	(2,565,650)
Balance as at 30 September 2018	46,813,734	13,484,542	(13,142,410)	47,155,866
Balance as at 1 April 2019	46,813,734	13,213,931	(11,894,492)	48,133,173
Total comprehensive loss for the year:				
Loss for the year	-	(683,331)	-	(683,331)
Other comprehensive loss for the year	-	-	(4,389,530)	(4,389,530)
Balance as at 30 September 2019	46,813,734	12,530,600	(16,284,022)	43,060,312

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.

There are no changes in the Company's share capital since the end of the previous period reported on. As at 30 September 2019, the Company does not have any outstanding convertibles or treasury shares (as at 30 September 2018 : Nil).

1(d)(iii) 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 the immediately preceding year.

The total number of issued shares as at 30 September 2019 is 349,176,870 (as at 30 September 2018 : 349,176,870).

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

As at 30 September 2019, the Company does not have any treasury shares.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited or reviewed.

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

Not applicable.

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

Except as disclosed in item 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial year as those applied in the preparation of the audited financial statements for the financial year ended 31 March 2019.

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

SFRS(I) 16 *Leases* introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease, and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. No adjustments have been made as the Group and Company are in the process of assessing the impact.

6. Earnings 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

	Group		Group	
	Second Quarter ended		Half Year ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
(i) Basic earnings per share (in cents)	(0.04)	0.14	0.01	0.40
Weighted Average Number of Shares	349,176,870	349,176,870	349,176,870	349,176,870
(ii) Diluted earnings per share (in cents)	(0.04)	0.14	0.01	0.40
Weighted Average Number of Shares	349,176,870	349,176,870	349,176,870	349,176,870

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	Group		Company	
	As at		As at	
	30.9.2019	31.03.2019	30.9.2019	31.03.2019
Net Asset Value Per Ordinary Share (in cents)	18.39	19.98	12.33	13.78
Number of Shares	349,176,870	349,176,870	349,176,870	349,176,870

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

STATEMENT OF COMPREHENSIVE INCOME

Second Quarter ended 30 September 2019 (2Q2020)

The Group's revenue for 2Q2020 recorded S\$16.15 million, a 25% decrease compared to the corresponding quarter last year (2Q2019). There was comparatively lower volume of ongoing Mechanical and Electrical (M&E) contracts during the current quarter for revenue recognition. Gross profit margin for 2Q2020 was 7.09%, which was lower than 8.97% achieved in 2Q2019 as a result of profits of certain projects with relatively lower margin being recognised.

The Group's net loss after income tax for 2Q2020 was S\$0.14 million whereas it was a net profit of S\$0.46 million in the corresponding quarter last year (2Q2019). This was mainly due to higher finance costs, lower share of profits of associates and joint venture and lower gross profit achieved in the current quarter.

Half Year ended 30 September 2019 (1H2020)

Similarly, the Group's revenue for 1H2020 recorded S\$33.33 million, a 13% decrease compared to the corresponding period last year (1H2019). Gross profit margin for 1H2020 was 8.20%, which was lower than the 12.58% achieved in 1H2019.

The Group's net profit after income tax for 1H2020 was S\$0.04 million, lower compared to net profit of S\$1.39 million in the corresponding period last year (1H2019). This was mainly due to lower gross profit achieved in the current period, absence of dividend income received from investment in equity securities and higher finance costs.

EARNINGS PER SHARE (EPS) AND NET ASSET VALUE PER SHARE (NAV)

Loss per share for 2Q2020 was 0.04 cents, compared to EPS of 0.14 cents in 2Q2019.

NAV for the Group stood at 18.39 cents per share at 30 September 2019, a decrease from 19.98 cents per share at 31 March 2019. This decrease was due to net fair value loss on investment in equity securities carried at FVTOCI, which was partially offset by the net profit achieved during the current period.

STATEMENT OF FINANCIAL POSITION

The Group's equity base stood at S\$64.23 million as at 30 September 2019, a decrease from S\$69.76 million as at 31 March 2019.

Total current assets amounted to S\$43.99 million as at 30 September 2019, lower than the S\$44.89 million as at 31 March 2019. The decrease was mainly due to the decrease in cash and cash equivalents as a result of net advances of loans to associates and joint venture, and net repayment of bank borrowings and finance leases during the current period. This is partially offset by the increase in trade receivables as a result of more construction works being carried out during the end of the current period.

Non-current assets decreased to S\$73.13 million as at 30 September 2019 from S\$77.01 million as at 31 March 2019. The decrease was mainly due to decrease in net fair value of investment in equity securities carried at FVTOCI during the current period. This is partially offset by net advances of loans to associates and joint venture, as well as accrual of interest income on loans to associates and joint venture.

Current liabilities increased to S\$51.13 million as at 30 September 2019 from S\$50.81 million as at 31 March 2019 was mainly due to increase in bills payables as a result of more construction works being carried out during the end of the current period.

Non-current liabilities increased to S\$1.77 million as at 30 September 2019 from S\$1.33 million as at 31 March 2019 was mainly due to utilisation of term loan during the current period.

The debt-equity ratio increased to 0.59 as at 30 September 2019 as compared to 0.52 as at 31 March 2019 was due to higher bank borrowings and bills payables, accompanying with a lower equity base.

STATEMENT OF CASH FLOWS

Second Quarter (2Q2020) and Half Year ended 30 September 2019 (1H2020)

Net cash used in operating activities amounted to S\$0.90 million in 2Q2020 (1H2020 : S\$0.37 million), compared to an inflow of S\$4.61 million in 2Q2019 (1H2019 : S\$1.63 million). The outflow was mainly due to more construction works being carried out during the end of the current period.

Net cash used in investing activities amounted to S\$0.56 million in 2Q2020 (1H2020 : S\$1.42 million), compared to an outflow of S\$0.89 million in 2Q2019 (1H2019 : S\$1.74 million). The outflow was mainly due to advances of loans to associates and joint venture of the Group during the current period.

Net cash used in financing activities amounted to S\$0.06 million in 2Q2020 (1H2020 : S\$0.41 million), compared to an outflow of S\$3.73 million in 2Q2019 (1H2019 : S\$3.16 million). The outflow was due to net repayment of bank borrowings and finance leases during the current period.

As a result of the aforementioned, cash and cash equivalents (net of bank overdrafts) stood at S\$2.48 million as at 30 September 2019.

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

No forecast had been issued.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The Mechanical and Electrical (M&E) business segment is expected to remain challenging in the next 12 months with continuous pressures on contract values and stiff competition for new projects. Based on order books secured, the M&E business will remain the core business for the Group and is expected to contribute positively to the Group's results for the next 12 months.

As at the date of this Announcement, the Group has approximately S\$169.4 million worth of M&E engineering contracts on hand.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared.

13. If the Group has obtained a general mandate from shareholders for interested person transactions ("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.

The Company does not have any shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual.

14. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720 (1).

The Company confirms compliance with Rule 720(1).

15. Confirmation pursuant to Rule 705(5) of the Listing Manual

We confirm on behalf of the Board of Directors, that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited first quarter financial results of the Group and the Company for the period ended 30 September 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Chua Kim Hua
Executive Chairman

Chua Eng Eng
Managing Director

14 November 2019

BY ORDER OF THE BOARD

Catherine Lim Siok Ching
Company Secretary

14 November 2019