



ISOTEAM LTD.

(Company Registration No. 201230294M)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2016

PART 1 INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) The Company shall announce its financial statements for each of the quarters of its financial year with effect from 1 January 2017 pursuant to Rule 705(2)(c) of the Listing Manual of the SGX-ST.

1(b) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(b)(i) Consolidated Income Statement and Statement of Comprehensive Income

Income Statement	Note	Group Six Months Ended		Change %
		31.12.16 (Unaudited) \$'000	31.12.15 (Unaudited) \$'000	
Revenue		44,754	44,689	0.1
Cost of sales		(32,122)	(33,778)	(4.9)
Gross profit		12,632	10,911	15.8
Other income	(a)	1,066	1,073	(0.7)
Marketing and distribution expenses		(542)	(851)	(36.3)
General and administrative expenses		(7,483)	(5,390)	38.8
Finance costs		(240)	(152)	57.9
Other operating expenses		(171)	(360)	(52.5)
Profit before tax	(b)	5,262	5,231	0.6
Tax expense		(1,016)	(691)	47.0
Profit for the period		4,246	4,540	(6.5)
Profit attributable to:				
Equity holders of the Company		4,068	4,272	(4.8)
Non-controlling interests		178	268	(33.6)
		4,246	4,540	(6.5)
Statement of Comprehensive Income				
Profit for the period		4,246	4,540	(6.5)
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation loss		(14)	-	N/M
Other comprehensive income for the period, net of tax		(14)	-	N/M
Total comprehensive income for the period		4,232	4,540	(6.8)
Total comprehensive income attributable to:				
Equity holders of the Company		4,061	4,272	(4.9)
Non-controlling interests		171	268	(36.2)
		4,232	4,540	(6.8)

"N/M" denotes Not Meaningful if % of change is more than 300%

1(a)(ii) Notes to the Consolidated Income Statement and Statement of Comprehensive Income

	Group		Change %
	Six Months Ended		
	31.12.16 (Unaudited) \$'000	31.12.15 (Unaudited) \$'000	
(a) <u>Other income</u>			
Government grants	324	121	167.8
Gain on disposal of property, plant and equipment	127	386	(67.1)
Interest income	185	149	24.2
Administrative charges	129	26	N/M
Foreign exchange gain	79	-	N/M
Others	222	391	(43.2)
	1,066	1,073	
(b) <u>Profit before tax</u>			
This is arrived at after charging/(crediting):			
Audit fees payable/paid to auditor of the Company	106	103	2.9
Depreciation of property, plant and equipment	1,077	956	12.7
Net gain on disposal of property, plant and equipment	(89)	-	N/M
Property, plant and equipment written off	17	-	N/M
Amortisation of intangible assets	777	360	115.8
Amortisation of fair value adjustment on contract work-in-progress	106	-	N/M
Bad debts written back	(11)	-	N/M
Allowance for doubtful receivables/ (write back on doubtful receivables)	697	(37)	N/M
Bad debts written off	11	6	83.3

"N/M" denotes Not Meaningful if % of change is more than 300%

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

1(b)(i) Statements of Financial Position

	Group		Company	
	As at 31.12.16 (Unaudited) \$'000	As at 30.06.16 (Audited) \$'000	As at 31.12.16 (Unaudited) \$'000	As at 30.06.16 (Audited) \$'000
Assets				
<u>Non-current assets</u>				
Property, plant and equipment	16,338	16,429	-	-
Intangible assets	1,543	2,243	-	-
Investment in subsidiaries	-	-	29,307	27,604
Goodwill	2,658	2,658	-	-
Other investments	1,470	1,477	-	-
	<u>22,009</u>	<u>22,807</u>	<u>29,307</u>	<u>27,604</u>
<u>Current assets</u>				
Due from customers for contract work-in progress	17,426	17,053	-	-
Other investments	992	984	-	-
Inventories	169	180	-	-
Intangible assets	-	77	-	-
Trade and other receivables	17,818	19,105	6,143	4,686
Cash and bank balances	29,789	34,148	5,048	7,158
Total current assets	<u>66,194</u>	<u>71,547</u>	<u>11,191</u>	<u>11,844</u>
Total assets	<u>88,203</u>	<u>94,354</u>	<u>40,498</u>	<u>39,448</u>
<u>Non-current liabilities</u>				
Bank borrowings	1,903	2,162	-	-
Finance lease liabilities	1,807	1,733	-	-
Deferred tax liabilities	938	869	-	-
Total non-current liabilities	<u>4,648</u>	<u>4,764</u>	<u>-</u>	<u>-</u>
<u>Current liabilities</u>				
Due to customers for contract work-in-progress	5,216	8,638	-	-
Bank borrowings	5,581	4,131	1,207	1,209
Trade and other payables	15,902	21,410	2,183	3,415
Finance lease liabilities	919	792	-	-
Tax payables	1,022	707	-	-
Total current liabilities	<u>28,640</u>	<u>35,678</u>	<u>3,390</u>	<u>4,624</u>
Total liabilities	<u>33,288</u>	<u>40,442</u>	<u>3,390</u>	<u>4,624</u>
Net assets	<u>54,915</u>	<u>53,912</u>	<u>37,108</u>	<u>34,824</u>

	Group		Company	
	As at 31.12.16 (Unaudited) \$'000	As at 30.06.16 (Audited) \$'000	As at 31.12.16 (Unaudited) \$'000	As at 30.06.16 (Audited) \$'000
Share capital and reserves				
Share capital	29,618	29,618	29,618	29,618
Treasury shares	(1,765)	(373)	(1,765)	(373)
Accumulated profits	33,659	31,726	9,299	5,623
Foreign currency translation reserve	(6)	1	-	-
Merger reserve	(7,338)	(7,338)	-	-
Other reserves	(151)	(151)	(44)	(44)
Equity attributable to equity holders of the Company	54,017	53,483	37,108	34,824
Non-controlling interests	898	429	-	-
Total equity	54,915	53,912	37,108	34,824

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

	Group			
	As at 31 December 2016		As at 30 June 2016	
	\$'000	\$'000	\$'000	\$'000
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	6,500	-	4,923	-
Amount repayable after one year	3,710	-	3,895	-
	<u>10,210</u>	<u>-</u>	<u>8,818</u>	<u>-</u>

Details of any collaterals

- (a) Bank borrowings amounting to \$3.1 million are secured by pledged fixed deposits and corporate guarantees from the Company.
- (b) Bank borrowings amounting to \$1.2 million are secured by corporate guarantees from a subsidiary.
- (c) Bank borrowings amounting to \$0.7 million are secured by a legal mortgage over the leasehold property of a subsidiary, pledged fixed deposits and corporate guarantees from the Company.
- (d) Bank borrowings amounting to \$1.8 million are secured by legal mortgage over the leasehold properties of subsidiaries and corporate guarantees from the Company.
- (e) Bank borrowings amounting to \$0.7 million are secured by a legal mortgage over the leasehold property of a subsidiary and corporate guarantees from the Company.
- (f) Finance lease obligations of the Group are secured by the rights to the leased equipment, machineries and motor vehicles. Certain directors of the Company have provided personal guarantees for certain finance lease liabilities.

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

1(c)(i) Consolidated Statement of Cash Flows

	Note	Group Period Ended	
		31.12.16 (Unaudited) \$'000	31.12.15 (Unaudited) (Restated) \$'000
Cash flows from operating activities			
Profit before income tax		5,262	5,231
Adjustment for: -			
Depreciation of property, plant and equipment		1,077	956
Net gain on disposal of property, plant and equipment		(89)	(386)
Property, plant and equipment written off		17	-
Amortisation of intangible assets		777	360
Amortisation of fair value adjustment on contract work-in-progress		106	-
Allowance for doubtful receivables		697	(37)
Bad debts written back		(11)	-
Bad debts written off		11	6
Interest income		(185)	(149)
Interest expense		226	139
Operating cash flows before working capital changes		7,888	6,120
Contract work-in-progress		(3,901)	814
Inventories		11	37
Trade and other receivables		590	(561)
Trade and other payables		(5,403)	(329)
Cash (used in)/ generated from operations		(815)	6,081
Interest received		184	149
Interest paid		(226)	(139)
Tax paid		(633)	(717)
Net cash (used in)/ generated from operating activities		(1,490)	5,374
Cash flows from investing activities			
Purchases of property, plant and equipment	(a)	(686)	(4,132)
Proceeds from disposal of property, plant and equipment		310	567
Net cash used in investing activities		(376)	(3,565)
Cash flows from financing activities			
Dividend paid		(2,135)	(1,644)
Purchase of treasury shares		(1,392)	-
Capital contributed by non-controlling interest		298	-
Repayment to related parties (non-trade)		-	2
Fixed deposits release from pledge		500	29
Drawdown of bank borrowings		1,505	2,567
Repayment of bank borrowings		(314)	(1,741)
Repayment of finance lease		(455)	(320)
Net cash used in financing activities		(1,993)	(1,107)

1(c)(i) Consolidated Statement of Cash Flows (Con't)

	Note	Group Period Ended	
		31.12.16 (Unaudited)	31.12.15 (Unaudited) (Restated)
		\$'000	\$'000
Net (decrease) /increase in cash and cash equivalents		(3,859)	702
Cash and cash equivalents at beginning of financial period		32,359	30,675
Cash and cash equivalents at end of financial period		<u>28,500</u>	<u>31,377</u>

Note A

The Group acquired property, plant and equipment with an aggregate cost of \$1,226,000 (HY2016: \$4,636,000). The additions were by way of cash payments of \$686,000 (HY2016: \$4,132,000) and finance lease of \$540,000 (HY2016: \$504,000).

1(c)(ii) Notes to the Consolidated Statement of Cash Flows

Cash and cash equivalents included in the consolidated statement of cash flows consist of the following: -

	Group Year Ended	
	31.12.16 (Unaudited)	31.12.15 (Unaudited)
	\$'000	\$'000
Cash in hand and at bank	18,250	15,253
Fixed deposits	11,539	17,693
	<u>29,789</u>	<u>32,946</u>
Less: Fixed deposits pledged	(1,289)	(1,569)
	<u>28,500</u>	<u>31,377</u>

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.

Group	Attributable to equity holders of the Group							
	Share capital \$'000	Treasury shares \$'000	Merger reserve \$'000	Foreign Currency translation reserve \$'000	Other reserves \$'000	Accumulated profits \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2015	29,618	-	(7,338)	-	(107)	24,143	67	46,383
Profit and total comprehensive income for the period	-	-	-	-	-	4,272	268	4,540
Contribution by and distributions to equity holders								
Dividend	-	-	-	-	-	(1,644)	-	(1,644)
	-	-	-	-	-	(1,644)	-	(1,644)
Balance at 31 December 2015	29,618	-	(7,338)	-	(107)	26,771	335	49,279

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. (Con't)

Group	Attributable to equity holders of the Group							
	Share capital \$'000	Treasury shares \$'000	Merger reserve \$'000	Foreign currency translation reserve \$'000	Other reserves \$'000	Accumulated profits \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2016	29,618	(373)	(7,338)	1	(151)	31,726	429	53,912
Profit for the period	-	-	-	-	-	4,068	178	4,246
Other comprehensive income								
Foreign currency translation gain	-	-	-	(7)	-	-	(7)	(14)
Other comprehensive income for the period, net of tax	-	-	-	(7)	-	-	(7)	(14)
Total comprehensive income for the period	-	-	-	(7)	-	4,068	171	4,232
Contribution by and distribution to equity holders								
Dividend	-	-	-	-	-	(2,135)	-	(2,135)
Purchase of treasury shares	-	(1,392)	-	-	-	-	-	(1,392)
	-	(1,392)	-	-	-	(2,135)	-	(3,527)
Change in ownership interest in subsidiary								
Incorporation of a subsidiary	-	-	-	-	-	-	298	298
	-	-	-	-	-	-	298	298
Total transactions with equity holders of the Company	-	(1,392)	-	-	-	(2,135)	298	(3,229)
Balance at 31 December 2016	29,618	(1,765)	(7,338)	(6)	(151)	33,659	898	54,915

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. (Con't)

Company	Attributable to equity holders of the Company						Total equity \$'000
	Share Capital \$'000	Treasury shares \$'000	Merger reserve \$'000	Other reserves \$'000	Accumulated profits \$'000	Non- controlling interests \$'000	
Balance at 1 July 2015	29,618	-	-	-	2,623	-	32,241
Profit and total comprehensive income for the period	-	-	-	-	887	-	887
Contribution by and distributions to equity holders							
Dividend	-	-	-	-	(1,644)	-	(1,644)
	-	-	-	-	(1,644)	-	(1,644)
Balance at 31 December 2015	29,618	-	-	-	1,866	-	31,484
Balance at 1 July 2016	29,618	(373)	-	(44)	5,623	-	34,824
Profit and total comprehensive income for the period	-	-	-	-	5,811	-	5,811
Contribution by and distributions to equity holders							
Dividend	-	-	-	-	(2,135)	-	(2,135)
Purchase of treasury shares	-	(1,392)	-	-	-	-	(1,392)
	-	(1,392)	-	-	(2,135)	-	(3,527)
Balance at 31 December 2016	29,618	(1,765)	-	(44)	9,299	-	37,108

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.

	Issued Ordinary Shares (excluding Treasury Shares)	Treasury Shares
As at 30 June 2016	284,665,956	1,200,634
Share buyback during the financial period	(3,543,000)	3,543,000
As at 31 December 2016	281,122,956	4,743,634

There were no outstanding convertible instruments which may be converted to shares as at 31 December 2016 and 31 December 2015. There were no treasury shares held by the Company as at 31 December 2015.

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.

	Company	
	As at 31.12.16	As at 30.06.16
Number of ordinary shares issued and fully paid	285,866,590	285,866,590
Treasury shares	(4,743,634)	(1,200,634)
Number of ordinary shares issued and fully paid (excluding treasury shares)	281,122,956	284,665,956

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

Not applicable.

2 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 Company's auditor.

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

The Group has applied the same accounting policies and methods of computation in the financial information for the current financial period as those used in the audited financial statements for the financial year ended 30 June 2016, except for the adoption of certain revised Financial Reporting Standards ("FRS") which are effective for the financial period commencing 1 July 2016. The adoption of these FRS has no material impact on the Group's financial information.

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.

On 29 February 2016, the Company issued 142,933,295 ordinary shares pursuant to the bonus issue on the basis of one bonus share for every one existing ordinary shares. Following the issue of bonus shares, the aggregate number of issued shares excluding treasury shares increased from 142,933,295 to 284,665,956 shares. As a result, the number of ordinary shares used for the earning per share calculations has been adjusted retrospectively as required by FRS 33.

Reclassification has been made to previous period's consolidated statement of cash flows to reclassify accrued progress billings in trade and other receivables to amount due from customers for contract work-in-progress in accordance to FRS11, Construction Contracts. The comparative figures have been restated as follows:

	Group	
	As at 31.12.15 (Previously reported) \$'000	As at 31.12.15 (Restated) \$'000
Cash flows from operating activities		
Contract work-in-progress	2,874	814
Trade and other receivables	(2,621)	(561)
	<hr/>	<hr/>

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.

Earnings per share ("EPS")	Group	
	Year Ended	
	31.12.16	31.12.15
		(Restated)
Profit attributable to equity holders of the Company (\$'000)	4,068	4,272
Weighted average number of ordinary shares ⁽¹⁾	283,883,793	285,866,590
Basic and diluted EPS based on weighted average number of ordinary shares (cents)⁽²⁾	1.43	1.49

Notes:

- (1) The calculation for the basic and diluted EPS for the respective financial period is based on the weighted average number of ordinary shares in issue during the financial periods.
- (2) The basic and diluted EPS were the same as the Group did not have any potentially dilutive instruments for the respective financial periods.

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

Net assets value ("NAV")	Group		Company	
	As at	As at	As at	As at
	31.12.16	30.06.16	31.12.16	30.06.16
NAV (\$'000)	54,017	53,483	37,108	34,824
Number of ordinary shares	281,122,956	284,665,956	281,122,956	284,665,956
NAV per ordinary share (cents)	19.21	18.79	13.20	12.23

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVIEW OF FINANCIAL PERFORMANCE

Revenue	Group					Change
	Six Months Ended					
	31.12.16		31.12.15			
	\$'000	%	\$'000	%	%	
R&R	10,692	23.9	24,000	53.7	(55.5)	
A&A	17,260	38.6	9,717	21.7	77.6	
C&P	8,191	18.3	4,880	10.9	67.8	
Others ⁽¹⁾	8,611	19.2	6,092	13.7	41.3	
	44,754	100.0	44,689	100.0	0.1	

Note:

- (1) Others included revenue from commercial interior designs ("ID"), home retrofitting business, landscaping works, leasing service, waterproofing and green solutions business.

"N/M" denotes Not Meaningful if % of change is more than 300%

Revenue

Group revenue increased by \$0.1 million or 0.1% from \$44.7 million in HY2016 to \$44.8 million in HY2017. Revenue from the Group's R&R business decreased by \$13.3 million or 55.5% from \$24.0 million in HY2016 to \$10.7 million in HY2017, due to lower revenue recognition. This was derived largely from projects awarded by Pasir Ris-Punggol Town Council, National Environment Agency, Housing & Development Board (HDB), National University of Singapore and Jurong Central Citizen's Consultative Committee.

Revenue contribution from the Group's Addition and Alteration ("A&A") business segment increased by \$7.6 million or 77.6% from \$9.7 million in HY2016 to \$17.3 million in HY2017. This was derived largely from projects awarded by Public Service Division, Pasir Ris-Punggol Town Council, National Environment Agency, Nee Soon Town Council and Marine Parade Town Council.

Revenue contribution from the Group's Coating and Painting ("C&P") business segment increased by \$3.3 million or 67.8% from \$4.9 million in HY2016 to \$8.2 million in HY2017. This was derived largely from projects awarded by Sato Kogyo (S) Pte Ltd, Singapore Piling & Civil Engineering Pte Ltd, Samsung C&T Corporation, Hexacon Construction Pte Ltd and Welltech Construction Pte Ltd.

Revenue contribution from the Group's others business segment increased by \$2.5 million or 41.3% from \$6.1 million in HY2016 to \$8.6 million in HY2017. This was derived largely from ID works from Resorts World at Sentosa Pte Ltd and residential projects, waterproofing works from Ang Mo Kio Town Council, landscaping works from Mao Sheng Quanji Construction Pte Ltd and rental income for leasing services.

Gross profit and gross profit margin

The Group's gross profit increased by \$1.7 million or 15.8% from \$10.9 million in HY2016 to \$12.6 million in HY2017 was mainly due to higher margin contributed by A&A and C&P works. Overall gross profit margin increased from 24.4% to 28.2%.

Other income

There were no material changes in the Group's other income during the financial period under review.

Marketing and distribution expenses

The Group's marketing and distribution expenses decreased by \$0.4 million or 36.3% from \$0.9 million in HY2016 to \$0.5 million in HY2017. The decrease was mainly due to decrease in depreciation and repair and upkeep expenses of motor vehicles.

General and administrative expenses

The Group's general and administrative expenses increased by \$2.1 million or 38.8% from \$5.4 million in HY2016 to \$7.5 million in HY2017. The increase was mainly attributable to increase in staff costs of \$0.8 million for the acquisition of a new subsidiary and incorporation of joint venture companies in Myanmar and Malaysia, allowance for doubtful receivables of \$0.7 million and increase in overhead costs of \$0.6 million, which is in line with the expansion of business and acquisition of a new subsidiary.

Finance costs

The Group's finance costs increased by \$0.09 million or 57.9% from \$0.15 million in HY2016 to \$0.24 million in HY2017. The increase was mainly attributable to interest incurred for trust receipt and the property loan.

Other operating expenses

The Group's other operating expenses decreased by \$0.2 million or 52.5% from \$0.4 million in HY2016 to \$0.2 million in HY2017. The decrease was mainly attributable to the decrease in amortisation of intangible assets arising from the acquisitions of subsidiaries.

Profit before tax

As a result of the above, our profit before tax increased by \$0.1 million or 0.6% from \$5.2 million in HY2016 to \$5.3 million in HY2017. Tax expense has increased in HY2017 due to reduction in claimable tax relief under the PIC scheme.

REVIEW OF FINANCIAL POSITION

Non-current assets

The Group's non-current assets decreased by \$0.8 million or 3.5% from \$22.8 million as at 30 June 2016 to \$22.0 million as at 31 December 2016, mainly due to depreciation of fixed assets of \$1.1 million and disposal of assets of \$0.2 million offset by acquisition of new assets of \$1.2 million and amortisation of intangible assets of \$0.7 million arising from the acquisition of new subsidiaries.

Current assets

The decrease in current assets of \$5.3 million or 7.5% from \$71.5 million as at 30 June 2016 to \$66.2 million as at 31 December 2016 was attributed mainly due to the decrease in cash and bank balances of \$4.3 million, decrease in trade and other receivables of \$1.3 million and partially offset by the increase in amounts due from customers for contract work-in-progress of \$0.3 million.

Non-current liabilities

The decrease in non-current liabilities of \$0.2 million or 2.4% from \$4.8 million as at 30 June 2016 to \$4.6 million as at 31 December 2016 was attributed to the repayment of bank borrowings of \$0.3 million and partially offset by the drawdown of finance lease facilities of \$0.1 million.

Current liabilities

The decrease in current liabilities of \$7.1 million or 19.7% from \$35.7 million as at 30 June 2016 to \$28.6 million as at 31 December 2016 was attributed mainly to the decrease in amounts due to customers for contract work-in-progress of \$3.4 million, decrease in trade and other payables of \$5.5 million, partially offset by the increase in tax payable of \$0.3 million and the drawdown of bank borrowing of \$1.5 million.

REVIEW OF STATEMENT OF CASH FLOWS

Net cash used in operating activities

The Group generated a net cash of \$7.9 million from operating activities before changes in working capital. Net working capital outflows amounted to \$8.7 million. This was mainly due to increase in contract work-in-progress of \$3.9 million, decrease in trade and other payables of \$5.4 million and partially offset by the decrease in trade and other receivables of \$0.6 million. After payment of income tax of \$0.7 million and interest of \$0.2 million after offsetting with interest received of \$0.2 million, the net cash used in operating activities amounted to approximately \$1.5 million.

Net cash used in investing activities

Net cash used in investing activities amounted to \$0.4 million, which was mainly attributable to the purchase of plant and equipment of \$0.7 million which is offset with the proceeds from disposal of property, plant and equipment of \$0.3 million.

Net cash used in financing activities

Net cash used in financing activities of \$2.0 million was mainly due to dividend payment of \$2.1 million, purchase of treasury shares of \$1.4 million and repayment of finance lease of \$0.5 million which were partially offset by the drawdown of bank borrowing of \$1.2 million, capital contributed by non-controlling interest of \$0.3 million and fixed deposit released from pledge of \$0.5 million.

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

No forecast or prospect statement has been previously disclosed to the shareholders.

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

Government's initiatives on the building related activities in Singapore are increasing and the Group is of the view that revenue will still continue to be driven by awarded projects due to the strong track record and skill set it has. The Group is not just only benefiting from the increase public sectors activities but also expects to grow in the private sectors through newly acquired subsidiaries which have strong business relationship with respective market players for many years.

Despite the Group expecting the industry outlook in the next 12 months to be challenging, especially on competitive market condition as a result of price competition and increase in labour cost, it is currently looking into business collaboration activities across all subsidiaries by sharing resources and expertise in offering complete suite of building related services to its valued customers. It emphasizes on providing quality services and also to maintain the competitiveness.

In addition, the Group also looks forward to the revenue to be contributed by our recently acquired company namely Rong Shun Engineering & Construction Pte Ltd ("Rong Shun") to undertake electrical installations, provision of fire alarm system, security system and wire related works. The acquisition will expand the Group's capability to offer a full suite of engineering services and solutions such as Mechanical & Electrical, Air Conditioning and Mechanical Ventilation, Security, Fire Protection system as well as Sanitary and Plumbing Services which complement our A&A , Upgrading and ID works into other sectors such as private sector across various industries including shopping malls, REITs, factories, schools, hospitals, offices, high-end hotels and residences without the need to outsource to other M&E contractors. Furthermore, the vendor of Rong Shun warrants and guarantees to the Group that Rong Shun shall for the period 1 October 2016 to 30 September 2019 achieve a cumulative profit before tax of an aggregate sum representing at least 12% of the Existing Order Book as well as maintain the Existing Order Book to be no less than \$13.1 million.

The government-led SolarNova programme aims to have solar power contribute 350 megawatt-peak (MWp) to Singapore's energy supply by 2020. There were 400 HDB blocks installed with solar panels in 2015, and the programme targets to have around 5,500 blocks by 2020, or clean energy for 55,000 four-room flats annually. Renewable energy is fast becoming a

reality in Singapore given the strong support from the government. With the partnership with major market leader in the field, track record and experience the Group is amassing now, the Group is in a good position to tap into the immediate upcoming opportunities.

In addition, the Group has been awarded its first HDB Home Improvement Programme ("HIP") project worth \$17.5 million as announced on 26 January 2017. The Group believes that the award of this project is a significant milestone.

The Group's order book as at 26 January 2017 stood at \$107.1 million which will be progressively delivered over the next two years.

11 Dividend

(a) Dividend declared (recommended) for the current financial period reported on

No.

(b) Dividend declared (recommended) for the corresponding period of the immediately preceding financial year

No.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend has been declared or recommended for HY 2017.

13 Use of placement proceeds

The Company received gross proceeds of \$5.0 million and as at the date of this announcement, the placement proceeds have been utilised as follows:

Intended Usage	Amount allocated \$'000	Amount utilised \$'000	Balance \$'000
To fund capital expenditures	3,000	(1,549)	1,451
To fund new investment and business expansion through acquisitions, joint ventures and/ or strategic alliances	1,500	(1,500)	-
General working capital	536	(536)	-
Total	5,036	(3,585)	1,451

- 14 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 Group has not obtained a general mandate from shareholders for IPTs pursuant to Rule 920(1)(a)(ii).

- 15 Confirmation by the Company Pursuant to Rule 720(1) of the Listing Manual of SGX-ST.**

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) pursuant to Rule 720(1) of the Listing Manual of the SGX-ST.

- 16 Negative confirmation pursuant to Rule 705 (5)**

We, David Ng Cheng Lian and Anthony Koh Thong Huat, being the directors of the Company, do hereby confirm on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial information for HY2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

David Ng Cheng Lian
Executive Chairman
13 February 2017

Anthony Koh Thong Huat
CEO

This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor (“Sponsor”), Hong Leong Finance Limited for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the 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 Mr Tang Yeng Yuen, Vice President, Head of Corporate Finance, at 16 Raffles Quay, #40-01A Hong Leong Building, Singapore 048581, Telephone (65) 6415 9886.