

Half Year Financial Statement And Dividend Announcement for the Period Ended 30 June 2014

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

- 1(a) 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.

	Group		
	For the half year ended		%
	30 Jun 14	30 Jun 13	
	Unaudited \$ '000	Unaudited \$ '000	
Revenues			
Products and installation	9,043	4,104	120.35
Services and maintenance	206	261	(21.07)
Rental income	1,526	1,605	(4.92)
Total revenues	10,775	5,970	80.49
Other items of income			
Dividend income	3	2	50.00
Other income	82	127	(35.43)
Total other items of income	85	129	(34.11)
Costs and expenses			
Cost of products and installation	(5,890)	(1,828)	222.21
Property operating expenses	(1,140)	(1,193)	(4.44)
Salaries and employee benefits	(1,607)	(1,609)	(0.12)
Depreciation expense	(93)	(88)	5.68
Other expenses	(660)	(717)	(7.95)
Finance costs	-	(1)	NM
Total costs and expenses	(9,390)	(5,436)	72.74
Profit before income tax	1,470	663	121.72
Income tax expense	(186)	(17)	994.12
Profit net of tax, attributable to equity holders of the parent	1,284	646	98.76
Other comprehensive income :			
Foreign currency translation	4	-	NM
Total comprehensive income attributable to equity holders of the parent	1,288	646	99.38

1(b)(i) 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.

	Group		Company	
	30 Jun 14	31 Dec 13	30 Jun 14	31 Dec 13
	Unaudited	Unaudited	Unaudited	Unaudited
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	279	367	129	157
Investment property	9,479	8,800	-	-
Intangible asset- development cost	166	166	-	-
Fixed deposits	8,000	8,000	-	-
Investment in subsidiaries	-	-	9,023	9,173
	<u>17,924</u>	<u>17,333</u>	<u>9,152</u>	<u>9,330</u>
Current assets				
Cash and bank balances	8,164	7,715	3,110	3,411
Fixed deposits	7,227	7,212	7,145	7,108
Trade receivables	3,484	3,069	-	-
Prepayments	40	75	9	17
Deposits	57	30	-	-
Other receivables	15	115	-	-
Investment securities	73	74	-	-
Amounts due from subsidiaries	-	-	806	820
Inventories	139	160	-	-
Deferred rental income	-	52	16	125
Gross amount due from customers for contract work-in-progress	363	640	-	-
	<u>19,562</u>	<u>19,142</u>	<u>11,086</u>	<u>11,481</u>
Current liabilities				
Trade payables	(1,234)	(607)	(37)	(33)
Deferred revenue	(101)	(129)	-	-
Other payables	(2,634)	(3,146)	(543)	(790)
Income tax payable	(289)	(97)	(6)	-
Deferred rental expense	(25)	(138)	(18)	(138)
Amounts due to subsidiaries	-	-	(697)	(943)
Gross amount due to customers for contract work-in-progress	(813)	(1,254)	-	-
	<u>(5,096)</u>	<u>(5,371)</u>	<u>(1,301)</u>	<u>(1,904)</u>
Net current assets	14,466	13,771	9,785	9,577
Non-current liabilities				
Deferred tax liabilities	(42)	(44)	-	-
	<u>(42)</u>	<u>(44)</u>	<u>-</u>	<u>-</u>
Net assets	32,348	31,060	18,937	18,907
Equity attributable to equity holders of the parent				
Share capital	27,224	27,224	27,224	27,224
Foreign currency translation reserve	(89)	(93)	-	-
Accumulated profits/ (losses)	5,213	3,929	(8,287)	(8,317)
Total equity	32,348	31,060	18,937	18,907

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

Not applicable. The Group does not have any external borrowings and debt securities as at 30 June 2014 and 31 December 2013.

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.

	For the half year ended	
	30 Jun 14	30 Jun 13
	Unaudited	Unaudited
	S\$'000	S\$'000
Operating activities		
Profit before income tax	1,470	663
<u>Adjustments for :</u>		
Interest income	(68)	(64)
Interest expense	-	1
Dividend income from investment securities	(3)	(1)
Depreciation of property, plant and equipment	93	88
Provision for doubtful debt	117	515
Fair value gain/ (loss) on investment securities	1	(1)
Fair value gain on equity-linked structured deposit	-	(30)
Operating cash flows before changes in working capital	1,610	1,171
Increase in trade and other receivables	(432)	(337)
Decrease in prepayments and deposits	8	2
Decrease in inventories	21	27
Decrease in deferred rental income	52	41
Decrease in gross amount due from customers for contract work-in-progress	277	760
Increase/ (Decrease) in trade payables	627	(272)
(Decrease)/ Increase in deferred revenue	(28)	12
(Decrease)/ Increase in other payables	(512)	193
Decrease in provision for claims	-	(1,216)
Decrease in deferred rental expense	(113)	(105)
Decrease in gross amount due to customers for contract work-in-progress	(441)	(307)
Cash flows used in operations	1,069	(31)
Interest paid	-	(1)
Interest received	68	64
Refund/ (payment) of taxes	8	(145)
Net cash flows generated/ (used) in operating activities	1,145	(113)
Investing activities		
Purchase of property, plant and equipment	(5)	(52)
Dividends received from investment securities	3	2
Additions to investment property	(679)	(287)
Net cash flows used in from investing activities	(681)	(337)
Financing activity		
Repayment of hire purchase creditors	-	(12)
Net cash flows used in financing activity	-	(12)
Net increase/ (decrease) in cash and cash equivalents	464	(462)
Cash and cash equivalents at 1 January	14,927	15,252
Cash and cash equivalents at 30 June	15,391	14,790

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 (Unaudited)	Share Capital S\$'000	Foreign Currency Translation Reserve S\$'000	Accumulated Profits/ (Losses) S\$'000	Total Equity S\$'000
2014				
At 1 January	27,224	(93)	3,929	31,060
Profit net of tax	-	-	1,284	1,284
Other comprehensive income for the half year	-	4	-	4
Total comprehensive income for the half year	-	4	1,284	1,288
At 30 June	<u>27,224</u>	<u>(89)</u>	<u>5,213</u>	<u>32,348</u>
2013				
At 1 January	27,224	(74)	1,662	28,812
Profit net of tax	-	-	646	646
Other comprehensive income for the half year	-	-	-	-
Total comprehensive income for the half year	-	-	646	646
At 30 June	<u>27,224</u>	<u>(74)</u>	<u>2,308</u>	<u>29,458</u>
Group (Unaudited)				
2014				
At 1 January	27,224	-	(8,317)	18,907
Profit net of tax	-	-	30	30
Total comprehensive income for the half year	-	-	30	30
At 30 June	<u>27,224</u>	<u>-</u>	<u>(8,287)</u>	<u>18,937</u>
2013				
At 1 January	27,224	-	(9,573)	17,651
Profit net of tax	-	-	235	235
Total comprehensive income for the half year	-	-	235	235
At 30 June	<u>27,224</u>	<u>-</u>	<u>(9,338)</u>	<u>17,886</u>

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 was no change in the Company's share capital since the end of the previous year reported on.

There were no outstanding convertibles as at 30 June 2014 and 30 June 2013.

There were no treasury shares as at 30 June 2014 and 30 June 2013.

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 June 2014 was 271,980,729 (31 December 2013: 271,980,729). There were no treasury shares as at 30 June 2014 and 31 December 2013.

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 auditors.

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 adopted the same accounting policies and methods of computation in the financial statements for the current financial period compared with those for the audited financial statements for the year ended 31 December 2013, except for those as stated in Note 5 below.

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.

The Group has adopted applicable new or revised Financial Reporting Standards ("FRS") which became effective for financial years beginning on or after 1 January 2014. The adoption of these FRS did not have any material impact on the financial statements of the Group and the Company for the current financial period reported on 30 June 2014.

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.

Cents	For the financial period ended	
	30 Jun 14	30 Jun 13
a) Based on weighted average number of ordinary shares in issue	0.472	0.238
b) On a fully diluted basis	0.472	0.238

The earnings per ordinary share for the financial period under review is calculated based on the weighted average of 271,980,729 ordinary shares (half year ended 30 June 2013: 271,980,729 ordinary shares) in issue.

The basic and fully diluted earnings per ordinary shares are the same as there were no potentially dilutive shares in issue during and as at the half year ended 30 June 2014 and 30 June 2013 respectively.

**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.**

Cents	Group	Company
As at 30 June 2014	11.893	6.963
As at 31 December 2013	11.420	6.951

Net asset value per share is calculated based on 271,980,729 shares as at 30 June 2014 and 31 December 2013.

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.**

Income Statement

Half year ended 30 June 2014 ("1H14") vs. half year ended 30 June 2013 ("1H13")

Revenues

Group's revenue increased by S\$4,805k from S\$5,970k (1H13) to S\$10,775k (1H14) due to the following reasons:-

Revenue from products and installation increased by S\$4,939k from S\$4,104k (1H13) to S\$9,043k (1H14) mainly due to increased activities from two projects at Changi General Hospital and Sophia Road.

The increase was partially offset by the lower revenues from service and maintenance and rental. Revenue from services and maintenance decreased by S\$55k from S\$261k (1H13) to S\$206k (1H14) mainly due to lower revenue generated from adhoc services and product installation sales in 1H14.

Other items of income

Group's total other items of income decreased by S\$44k from S\$129k (1H13) to S\$85k (1H14).

Other income for 1H13 included S\$30k of fair value gain on structure deposit and S\$15k of proceed from sales of scrap equipment. There were no corresponding figures for 1H14.

Costs and expenses

Group's costs and expenses increased by S\$3,954k from S\$5,436k (1H13) to S\$9,390k (1H14) mainly due to the higher cost of products and installation.

Cost of products and installation increased by S\$4,062k from S\$1,828k (1H13) to S\$5,890k (1H14) due to the corresponding higher revenue, lower profit margin for projects carried out during the period and higher cost of employing direct labour.

Profit before Income Tax

Due to the above reasons, the Group's profit before income tax for the period under review increased by S\$807k from S\$663k (1H13) to S\$1,470k (1H14).

Profit net of Tax

The Group's profit net of tax increased by S\$638k from S\$646k (1H13) to S\$1,284k (1H14).

Balance Sheet

Non-current assets

The Group's property, plant and equipment decreased by S\$88k from S\$367k (31 Dec 2013) to S\$279k (30 Jun 2014) after accounting for depreciation expense of S\$93k and assets acquisition of S\$5k during 1H14.

Investment property increased by S\$679k from S\$8,800k (31 Dec 2013) to S\$9,479k (30 Jun 2014) due to redevelopment costs incurred for the investment property at Riverside Road.

Current assets

The Group's cash and cash equivalents comprising of fixed deposits and cash and bank balances, increased from S\$14,927k (31 Dec 2013) to S\$15,391k (30 Jun 2014) mainly due to cash inflow from operating activities which is partially offset by payment for redevelopment of investment property at Riverside Road. Approximately S\$9 million of internal funds have been earmarked for the redevelopment of the aforementioned property, which is ongoing and targeted to complete by August 2015.

Trade receivable increased by S\$415k from S\$3,069k (31 Dec 2013) to S\$3,484k (30 Jun 2014), in-line with increased revenue from products and installation.

The Group's prepayment decreased by S\$35k from S\$75k (31 Dec 2013) to S\$40k (30 Jun 2014) mainly due to the receipt of delivery in 1H14 from a vendor which the Group had made an advance payment in the financial year ended 31 December 2013 ("FY2013").

Deposit increased by S\$27k from S\$30k (31 Dec 2013) to S\$57k (30 Jun 2014) mainly due to tender deposits paid during 1H14 for tendering of projects.

Other receivables decreased by S\$100k from S\$115k (31 Dec 2013) to S\$15k (30 Jun 2014) mainly due to receipt of income tax recoverable of S\$108k in 1H14.

The Group's deferred rental income decreased by S\$52k from S\$52k (31 Dec 2013) to nil (30 Jun 2014) due to the recognition of rental income during 1H14.

Current liabilities

The Group's trade payables increased by S\$627k from S\$607k (31 Dec 2013) to S\$1,234k (30 Jun 2014), in-line with increased activities from products and installation.

Deferred revenue decreased by S\$28k from S\$129k (31 Dec 2013) to S\$101k (30 Jun 2014) mainly due to lower service and maintenance revenue generated in 1H14.

The Group's other payable decreased by S\$512k from S\$3,146k (31 Dec 2013) to S\$2,634k (30 Jun 2014) mainly due to more timely billing by vendors.

Income tax payable of the Group increased by S\$192k from S\$97k (31 Dec 2013) to S\$289k (30 Jun 2014). The increase was mainly due to income tax provision for 1H14.

The Group's deferred rental expense decreased by S\$113k from S\$138k (31 Dec 2013) to S\$25k (30 Jun 2014) due to the recognition of the rental expenses during 1H14.

Net amount due to customer for contract work-in-progress (after deducting amount due from customer for contract work-in-progress) decreased by S\$164k from S\$614k (31 Dec 2013) to S\$450k (30 Jun 2014) due to timing difference for progress billings.

Cashflow Statement

The Group generated S\$1,145k of cash from its operating activities in 1H14, as compared to S\$113k of cash utilised in 1H13. The increase was mainly due to cash inflow from increased revenue.

The Group used S\$681k of cash in its investing activities in 1H14 as compared to cash utilised of S\$337k in 1H13. The cash outflow in 1H14 was mainly due to payment for redevelopment of investment property at Riverside.

As a whole, the Group generated cash of S\$464k in 1H14 as compared to cash utilised of S\$462k in 1H13. The cash and cash equivalents as at 30 June 2014 was S\$15,391k.

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

Not applicable.

- 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.**

The Group's operating environment for the second half of FY2014 continues to be very challenging with strong market competition in the industry and increasing operating and labour costs.

As announced on 10 April 2014 and 16 May 2014, the construction work for the redevelopment of the investment property at 28 Riverside Road has been awarded and the research collaboration with NTU has been extended till end of 2014 with expanded scope of research. The Group does not expect these to have a material impact on the results of the Group for FY2014.

- 11. Dividend**

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?
None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

- 12. If no dividend has been declared/recommendeded, a statement to that effect.**

No dividend has been declared for the current financial period reported on.

- 13. 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.**

The Group does not have a shareholders' mandate for interested person transactions. There was no interested person transaction for the 6-months ended 30 June 2014.

- 14. Negative Confirmation by the Board pursuant to Rule 705(5) OF THE LISTING MANUAL SECTION B: RULES OF CATALIST**

We, Tan Eng Liang and Lee Ee @ Lee Eng, being two directors of Progen Holdings Limited (the "Company"), do hereby confirm on behalf of the 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 half-year financial statement for the period ended 30 June 2014 to be false or misleading in any material aspects.

**BY ORDER OF THE BOARD
PROGEN HOLDINGS LTD**

**Lee Ee @ Lee Eng
Managing Director
12 August 2014**

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**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 Mark Liew, Managing Director, Corporate Finance, at 20 Cecil Street, #21-02 Equity Plaza, Singapore 049705, telephone (65) 6229 8088.