

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2019

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

- 1(a)(i) An income statement and statement of comparative 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.**

Consolidated statement of comprehensive income for the Group

	The Group 3 months ended		Increase/ Decrease
	30 September 2019 RMB'000	30 September 2018 RMB'000	RMB'000
Revenue	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Other income	22	-	n.m.
Expenses			
Distribution costs	-	(28)	n.m.
Administrative expenses	(3,301)	(1,916)	72%
Other operating expenses	-	(16,522)	n.m.
Finance costs	-	-	-
Profit/(Loss) before taxation	(3,279)	(18,466)	-82%
Income tax expenses	-	-	-
(Loss) for the period, representing total comprehensive (loss) for the period	(3,279)	(18,466)	-82%
Total comprehensive (loss) attributable to:			
Equity holders of the parent Company	(3,279)	(18,466)	-82%
Non-controlling interest	n.m.	-	n.m.
	(3,279)	(18,466)	%

1(a)(ii) Other information

The Group's profit/(loss) before taxation is arrived at after charging/(crediting):

	3 months ended 30 September	
	2019 RMB'000	2018 RMB'000
Depreciation of property, plant and equipment	10	-
Loss on disposal of previously owned subsidiaries	-	16,522

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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.

Statements of financial position

	The Group		The Company	
	30 September 2019 RMB'000	30 June 2019 RMB'000	30 September 2019 RMB'000	30 June 2019 RMB'000
Assets and Liabilities				
Non-current assets				
Property, plant and equipment	249	252	-	-
Trade and other receivables	152,845	152,482	-	-
Investment in subsidiaries	-	-	510	510
	<u>153,094</u>	<u>152,734</u>	<u>510</u>	<u>510</u>
Current assets				
Contact assets	99,398	88,329	-	-
Trade and other receivables	15,634	25,755	-	-
Prepayment	169	87	80	24
Amount due from a subsidiary	-	-	144,492	144,540
Cash and bank balances	102,811	104,606	158	30
	<u>218,012</u>	<u>218,777</u>	<u>144,730</u>	<u>144,594</u>
Current liabilities				
Trade and other payables	178,658	175,726	3,755	4,046
Deferred tax liability	11,658	11,658	-	-
	<u>190,316</u>	<u>187,384</u>	<u>3,755</u>	<u>4,046</u>
Net current assets	27,696	31,393	140,975	140,548
Net assets	<u>180,790</u>	<u>184,127</u>	<u>141,485</u>	<u>141,058</u>
Equity				
Share capital	192,187	192,187	192,187	192,187
Treasury shares	(24)	(24)	(24)	(24)
Reserves	(10,054)	(9,997)	96,852	94,696
Accumulated losses	(17,748)	(14,468)	(147,530)	(145,801)
Attributable to Controlling interest	164,361	167,698	141,485	(141,058)
Non Controlling interest	16,429	16,429	-	-
Total Equity	<u>180,790</u>	<u>184,127</u>	<u>141,485</u>	<u>(141,058)</u>

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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 September 2019		As at 30 June 2019	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Amount repayable after one year

As at 30 September 2019		As at 30 June 2019	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Details of any collateral

Not applicable

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

Consolidated statement of cash flows for the Group

	The Group	
	3 months ended 30 September	
	2019	2018
	RMB'000	RMB'000
Cash flow from operating activities		
(Loss) before income tax	(3,279)	(18,466)
Adjustments for:		
Depreciation of property, plant and equipment	10	-
Loss on disposal of subsidiaries	-	19,171
Interest income	(22)	-
Operating cash flows before changes in working capital	(3,291)	705
Changes in working capital:		
Contract receivables	(11,069)	-
Trade and other receivables	9,676	10,934
Trade and other payables	2,987	(12,151)
Cash used in operating activities	(1,697)	(512)
Interest received	22	-
Income tax paid	-	-
Net cash used in operating activities	(1,675)	(512)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(7)	-
Disposal of a subsidiaries, net of cash disposed	-	(112)
Net cash used in investing activities	(7)	(112)
Cash flows from financing activities		
Amount due to directors	(55)	-
Proceeds from issue of share capital	-	151,058
Net cash generating from financing activities	(55)	151,058
Net cash increase/(decrease) in cash and cash equivalents	(1,737)	150,434
Cash and cash equivalents at beginning of financial period	104,606	112
Effect of currency translation	(58)	-
Cash and cash equivalents at end of financial period	102,811	150,546

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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 for the Group

Group	Attributable to equity holders of the Company										Total Equity RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Controlling interest RMB'000	Non-controlling interest RMB'000	
Balance at 30 June 2018	135,773	(35)	79,908	4,403	15,000	(102,287)	-	(123,661)	9,10	-	9,101
Share Capital Reduction ⁽¹⁾	(81,464)	11	-	-	-	-	-	81,453	-	-	-
Share placement ⁽²⁾	137,878	-	13,179	-	-	-	-	-	151,05	-	151,057
Total comprehensive loss for the year	-	-	-	-	-	-	-	(18,466)	(18,466)	-	(18,466)
Balance at 30 September 2018	192,187	(24)	93,087	4,403	15,000	(102,287)	-	(60,674)	141,692	-	141,692
Balance at 30 June 2019	192,187	(24)	93,087	-	-	(102,287)	(797)	(14,468)	167,69	16,429	184,127
Total comprehensive loss for the year	-	-	-	-	-	-	-	(3,279)	(3,279)	-	(3,279)
Exchange differences arising on translation of foreign operation	-	-	-	-	-	-	(58)	-	(58)	-	(58)
Balance at 30 September 2018	192,187	(24)	93,087	-	-	(102,287)	(855)	(17,747)	164,361	16,429	180,790

Statement of changes in equity for the Company

Company	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 30 June 2018	135,773	(35)	79,908	-	(222,010)	(6,364)
Share Capital Reduction ⁽¹⁾	(81,464)	11	-	-	81,453	-
Share placement ⁽²⁾	137,878	-	13,179	-	-	151,057
Total comprehensive loss for the year	-	-	-	-	(3,001)	(3,001)
Balance as at 30 September 2018	192,187	(24)	93,087	-	(143,558)	141,692
Balance as at 30 June 2019	192,187	(24)	93,087	1,609	(145,801)	141,058
Total comprehensive loss for the period	-	-	-	-	(1,729)	(1,729)
Exchange differences arising on translation of foreign operation	-	-	-	2,156	-	2,156
Balance at June 30, 2018	192,187	(24)	93,087	3,765	(147,530)	141,485

Note:

- (1) On 28 September 2018, in accordance with the Bermuda laws the par value of the shares was reduced (the "Share Capital Reduction") from US\$1.00 to US\$0.40. The amount of credit arising from the Share Capital Reduction was transferred to the contributed surplus account of the Company and utilised to set off against the accumulated losses in full.
- (2) On 28 September 2018, Company completed its share placement (the "Share Placement") of 50,000,001 new ordinary shares in the capital of the Company at the issue price of S\$0.60 per placement share.

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- 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.**

	Number of Shares	Share capital RMB'000
Balance as at 1 July 2019 and 30 September 2019	67,959,583	192,187

There were no convertible shares issued by the Company as at 30 September 2019.

As at 30 September 2019, the Company held 8,000 of its issued shares as Treasury shares. (30 June 2019: 8,000).

- 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.**

	As at 30 September 2019	As at 30 June 2019
Number of ordinary shares in issue	67,959,583	67,959,583
Less: Ordinary shares kept as treasury shares	(8,000)	(8,000)
Number of ordinary shares excluding treasury shares	<u>67,951,583</u>	<u>67,951,583</u>

- 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.**

There is no sales, transfers, disposal, cancellation and / or use of treasury shares by the Company as at 30 September 2019.

- 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 applied the same accounting policies and method of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 30 June 2019.

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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 and Company has adopted the new SFRS (I) that are effective for annual periods beginning on or after 1 July 2019. The adoption of this new SFRS (I) did not result in any significant impact on the financial statements of the Group and Company.

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.**

Basic and Diluted Profit/(Loss) Per Share

	As at 30 September 2019	As at 30 September 2018
Loss attributable to equity holders of the Company (RMB'000)	3,279	18,466
Weighted average number of ordinary shares excluding treasury shares ('000)	67,952	19,582
Loss per share (RMB) – basic and diluted	0.05	0.94

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.

	The Group As at 30 September 2019	As at 30 June 2018	The Company As at 30 September 2019	As at 30 June 2018
Net asset value per ordinary share (RMB)	2.66	2.71	2.08	2.08
Number of issued ordinary shares excluding treasury share as at end of the period	67,951,583	67,951,583	67,951,583	67,951,583

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

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(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, Gross Profit and Gross Margin

There is no revenue being recognised in 1Q2020 as the parcels of roads are still under construction.

Other Income

Interest income were generated from fixed deposit placed with reputable bank.

Selling and distribution expenses

Selling and distribution expenses of RMB28 million in 1Q2019 mainly related to previously owned Fabric subsidiaries. The Group has deconsolidated the Fabric subsidiaries in FY2019 due to loss of control of these subsidiaries.

Administrative expenses

Administrative expenses increased by approximately 72% from RMB1.9 million in 1Q2019 to RMB3.3 million in 1Q 2020, mainly attributed by the followings:

- Legal & Professional fees – RMB1.7 million
- Director fees – RMB0.3 million
- Entertainment and travelling – RMB0.2 million
- Payroll & Employees' benefits – RMB0.9 million
- All other operating expenses – RMB0.2 million

Other operating expenses

The other operating expenses of RMB17 million in 1Q2019 was mainly attributable the recognition of net assets lost as a result of loss of control of its previously owned Fabric subsidiaries.

Finance cost

There is no finance cost incurred in 1Q2020 as there is no loan taken during the financial period.

Income tax expense

The effective tax rate for our operation in China is 25% of the profit.

Profit

As a result of the above, the Group registered a net loss attributable to owners of the Company of RMB3.3 million as compared to the net loss of RMB18.5 million in 1Q2019.

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Review of Financial Position

Non-current assets

Trade and other receivables increased by 0.3 million from RMB152.5 million as at 30 June 2019 to RMB152.8 million as at 30 September 2019. This was mainly due construction expenses incurred which will be invoiced to the client upon completion of the project.

Current assets

Trade and other receivables decreased by RMB10.2 million from RMB25.8 million as at 30 June 2019 to RMB15.6 million as at 30 September 2019 was mainly due to collection from the client.

Contract assets increased by RMB11.1 million from RMB88.3 million as at 30 June 2019 to RMB99.4 million as at 30 September 2019 was mainly due to construction cost for parcels of roads and ones yet to be accepted by the client. Upon every acceptance of a road parcel by the client, the Group will recognise the revenue for the relevant parcels and transfer from contract assets to trade receivables.

Current liabilities

Trade and other payables increased by RMB3.0 million from RMB175.7 million as at 30 June 2019 to RMB178.7 million as at 30 September 2019. These increased were mainly due to increase in trade payable of RMB1 million and Amount due to a shareholder by a subsidiary of RMB2.2 million.

Review of Cashflow Position

Overall, cash and cash equivalents decreased by RMB1.8 million from RMB104.6 million as at 30 June 2019 to RMB102.8 million as at 30 September 2019 was due to net cash flow used in operating activities of RMB1.7 million.

Net cash flows used in operating activities of RMB1.7 million in 1Q2020 was mainly due to operating cash flows before changes in working capital of RMB3.3 million and net working capital inflows of RMB1.6 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 previously been disclosed.

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 Company was placed on the SGX Watchlist on 6 June 2019 due to the pre-tax losses recorded for period between 1 January 2015 and 31 December 2017 and the average daily market capitalization falling below S\$40 million over last six months. The audited financial statements for the financial period 1 January 2018 and 30 June 2019 has reflected the results and performance of the infrastructure business that started in 2018. The Company intends to write to

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SGX-ST to request for removal from the Watchlist.

KPMG has issued a special report on 13 August 2019 with its findings pertaining to the alleged compensation claims made by three customers in 2017. The Company has filed a report with the Singapore Police Force using KPMG's findings and will cooperate with the relevant authorities accordingly. When necessary, the Company will hold a Special General Meeting to seek shareholders' approval before commencing any further legal action against persons whom have caused loss and damage to the Company.

The Company has previously mentioned its intention to change the financial reporting currency to Singapore Dollars with effect from 1 July 2019. After further consultation, the Company now wishes to inform that it will hold this change till the time when the bulk of its revenue and cost of sales ceases to be transacted in Chinese Renminbi.

The Company, incorporated in Bermuda, is commencing the process of re-domiciliation of its business to Singapore and is also working closely with its partners on potential project that has been shortlisted as the upcoming one. The Company will hold a Special General Meeting accordingly when time comes.

11. Dividend

(a) 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 and the reason(s) for the decision.

No dividend has been declared or recommended for the financial period ended 30 September 2019 because the Company believes that it is more beneficial to re-invest the profits for the rapid growth of business.

13 Interested Person Transactions

The Group does not have any general mandate from shareholders for Interested Person Transactions. No interested person transactions exceeding S\$100,000 has been entered into by the Group for the period ended 30 September 2019.

14 Confirmation by the Board Pursuant to Rule 705(5) of SGX Listing Manual

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The Board confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited consolidated financial results of the Group for the first quarter ended 30 September 2019, to be false or misleading in any material aspect.

15 Confirmation by the Board Pursuant to Rule 720(1) of SGX Listing Manual

The Company confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in form Appendix 7.7.

15. Use of IPO proceeds

As at the date of this announcement, the net proceeds from the Company's initial public offering and placement proceeds had been utilised as follows:

Use of IPO Proceeds	Amount allocated S\$'000	Amount Utilised S\$'000	Balance S\$'000
to construct new facilities and acquire new machinery	14,000	13,231	769
to expand Research & Development facilities	1,000	1,000	-
working capital purposes	2,182	2,182	-
	17,182	16,413	769
Used of Placement Proceeds			
Project Investment	22,900	6,980	15,920
Working capital purposes ⁽¹⁾	7,000	2,649	4,351
	29,900	9,629	20,271
	47,082	26,042	21,040

(1) Use of Placement Proceeds of S\$2.6 million for "working capital purpose", the breakdown as follow:

- i. Payroll and Staff related (incl. Director Fees) – S\$0.8 million
- ii Operating Expenses (incl. Rental, Stationery, Entertainments, Travelling) – S\$0.5million
- iii. Professional Fees (incl. Legal, Audit, Corporate Secretary Services etc) S\$1.3 million

BY ORDER OF THE BOARD
Eric Choo Han Kiat
Executive Director and CEO
14 November 2019