PROGEN HOLDINGS LTD

Half Year Financial Statement And Dividend Announcement for the Period Ended 30 June 2016

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 16 Unaudited $ '000	30 Jun 15 Unaudited $ '000	%
Revenues			
Products and installation	4,672	3,410	37.01
Services and maintenance	210	218	(3.67)
Total revenues	4,882	3,628	34.56
Other items of income			
Dividend income	2	2	-
Other income	104	986	(89.45)
Total other items of income	106	988	(89.27)
Costs and expenses			
Cost of products and installation	(2,919)	(1,897)	53.87
Salaries and employee benefits	(1,451)	(1,373)	5.68
Depreciation expense	(41)	(44)	(6.82)
Other expenses	(564)	(532)	6.02
Total costs and expenses	(4,975)	(3,846)	29.36
Profit before income tax	13	770	(98.31)
Income tax expense	(9)	(19)	(52.63)
Profit net of tax, attributable to equity holders of the parent	4	751	(99.47)
Other comprehensive income :			
Foreign currency translation	10	(40)	NM
Total comprehensive income attributable to equity holders of the parent	14	711	(98.03)
Note 1: (Other Income)			
Fair value gain on investment property	-	720	NM
Foreign exchange gain	-	38	NM
Adjustment to reinstatement cost	-	65	NM
Interest income	80	95	(15.79)
Others	24	68	(64.71)
	104	986	(89.45)

* NM- Not Meaningful

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	
	As at 30 Jun 16 (Unaudited)	As at 31 Dec 15 (Audited)	As at 30 Jun 16 (Unaudited)	As at 31 Dec 15 (Audited)
Non-current assets				
Property, plant and equipment	160	173	37	60
Investment property	27,381	26,000	-	-
Intangible asset - development cost	228	228		-
Fixed deposits	4,000	4,000	-	-
Investment in subsidiaries	-	-	9,003	9,003
Deferred tax asset	99	95	-	-
	31,868	30,496	9,040	9,063
Current assets				
Cash and bank balances	1,337	1,813	404	217
Fixed deposits	4,633	8,175	4,596	6,610
Trade receivables	1,217	1,950	-	-
Prepayments	55	48	15	14
Deposits	141	132	47	47
Other receivables	7	12	-	5
Investment securities	59	63	-	-
Amounts due from subsidiaries	-	-	14,307	13,016
Inventories	135	273	-	-
Gross amount due from customers for contract work-in-progress	1,324	696	-	-
	8,908	13,162	19,369	19,909
Current liabilities				
Trade payables	(1,314)	(897)	(38)	(45)
Deferred revenue	(128)	(107)	-	-
Other payables	(1,740)	(3,813)	(529)	(554)
Income tax payable	(43)	(43)	(10)	(5)
Amounts due to subsidiaries	-	-	(456)	(456)
Gross amount due to customers for contract work-in-progress	(151)	(871)	-	-
	(3,376)	(5,731)	(1,033)	(1,060)
Net current assets	**5,532**	**7,431**	**18,336**	**18,849**
Non-current liabilities				
Deferred tax liabilities	(6)	(3)	-	-
	(6)	(3)	-	-
Net assets	**37,394**	**37,924**	**27,376**	**27,912**
Equity attributable to equity holders of the parent				
Share capital	27,224	27,224	27,224	27,224
Foreign currency translation reserve	(190)	(200)	-	-
Accumulated profits	10,360	10,900	152	688
Total equity	**37,394**	**37,924**	**27,376**	**27,912**

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 2016 and 31 December 2015.

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 16 Unaudited S$'000	30 Jun 15 Unaudited S$'000
Operating activities		
Profit before income tax	13	770
Adjustments for :		
Interest income	(80)	(95)
Dividend income from investment securities	(2)	(2)
Depreciation of property, plant and equipment	41	44
Loss on disposal of fixed assets	5	-
Fair value gain on investment property	-	(720)
Fair value loss on investment securities	4	1
Currency realignment	-	(40)
Operating cash flows before changes in working capital	(19)	(42)
Decrease in trade and other receivables	738	692
(Increase)/ decrease in prepayments and deposits	(16)	5
Decrease in inventories	138	37
Increase in gross amount due from customers for contract work-in-progress	(628)	(280)
Increase/ (decrease) in trade payables	417	(162)
Increase/ (decrease) in deferred revenue	21	(7)
Decrease in other payables	(1,041)	(680)
Decrease in gross amount due to customers for contract work-in-progress	(720)	(369)
Cash flows used in operations	(1,110)	(806)
Interest received	80	95
Payment of taxes	-	(144)
Net cash flows used in operating activities	(1,030)	(855)
Investing activities		
Purchase of property, plant and equipment	(48)	(4)
Proceeds from disposal of fixed assets	15	-
Dividends received from investment securities	2	2
Increase in fixed deposit pledged	-	(2,000)
Additions to investment property	(2,413)	(2,280)
Cash attributed to development cost	-	(30)
Net cash flows used in investing activities	(2,444)	(4,312)
Financing activities		
Dividends paid	(544)	-
Net cash flows used in financing activities	(544)	-
Net decrease in cash and cash equivalents	(4,018)	(5,167)
Cash and cash equivalents at 1 January	9,988	20,860
Cash and cash equivalents at 30 June	5,970	15,693

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	Foreign Currency Translation Reserve	Accumulated Profits/ (Losses)	Total Equity
	S$'000	S$'000	S$'000	S$'000
2016				
At 1 January	27,224	(200)	10,900	37,924
Profit net of tax	-	-	4	4
Dividend Declared/ Paid			(544)	(544)
Other comprehensive income for the half year	-	10	-	10
Total comprehensive income for the half year	-	10	(540)	(530)
At 30 June	27,224	(190)	10,360	37,394
2015				
At 1 January	27,224	(111)	8,824	35,937
Profit net of tax	-	-	751	751
Other comprehensive income for the half year	-	(40)	-	(40)
Total comprehensive income for the half year	-	(40)	751	711
At 30 June	27,224	(151)	9,575	36,648
Company (Unaudited)				
2016				
At 1 January	27,224	-	688	27,912
Profit net of tax	-	-	8	8
Dividend Declared/ Paid			(544)	(544)
Total comprehensive income for the half year	-	-	(536)	(536)
At 30 June	27,224	-	152	27,376
2015				
At 1 January	27,224	-	(8,237)	18,987
Profit net of tax	-	-	22	22
Total comprehensive income for the half year	-	-	22	22
At 30 June	27,224	-	(8,215)	19,009

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. The Company's share capital as at 31 December 2015 and 30 June 2016 is S$27,224k comprising 271,980,729 ordinary shares in the capital of the Company.

There were no outstanding convertibles as at 30 June 2016 and 30 June 2015.

There were no treasury shares as at 30 June 2016 and 30 June 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.

The total number of issued shares as at 30 June 2016 was 271,980,729 (31 December 2015: 271,980,729). There were no treasury shares as at 30 June 2016 and 31 December 2015.

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 2015, 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 2016. 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 2016.

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 16 (Unaudited)	30 Jun 15 (Unaudited)
a) Based on weighted average number of ordinary shares in issue	0.001	0.276
b) On a fully diluted basis	0.001	0.276

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 2015: 271,980,729 ordinary shares) in issue.

The basic and fully diulted 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 2016 and 30 June 2015 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 2016 (Unaudited)	13.749	10.065
As at 31 December 2015 (Audited)	13.944	10.263

Net asset value per share is calculated based on 271,980,729 shares as at 30 June 2016 and 31 December 2015.

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 2016 ("1H16") vs. half year ended 30 June 2015 ("1H15")

Revenues

Group's revenue increased by S$1,254k from S$3,628k (1H15) to S$4,882k (1H16) due to the following reasons:-

Revenue from products and installation increased by S$1,262k from S$3,410k (1H15) to S$4,672k (1H16) mainly due to the completion of three major projects (Macpherson, Newton and Jalan Jurong Kechil) in 1H16 with an aggregate revenue of S$2,589k recognised in relation thereto.

Other items of income

Group's total other items of income decreased by S$882k from S$988k (1H15) to S$106k (1H16) mainly due to the absence of (i) fair value assessment conducted on the 8-storey factory building at 28 Riverside Road (the "Investment Property") as at 1H16 (1H15: S$720k); (ii) reversal of reinstatment cost in 1H16 (1H15: S$65k); and (iii) foreign exchange gain in 1H16 (1H15: S$38k). The decrease was also due to a decrease in interest income by S$15k from S$95k to S$80k mainly due to withdrawal of fixed deposits during 1H16 to fund redevelopment of the Investment Property.

Costs and expenses

Group's costs and expenses increased by S$1,129k from S$3,846k (1H15) to S$4,975k (1H16) mainly due to the following reasons:-

Cost of products and installation increased by S$1,022k from S$1,897k (1H15) to S$2,919k (1H16) due to the corresponding higher revenue generated in 1H16.

The percentage increase in cost of products and installation was higher than that of increase in revenue mainly due to additional costs incurred in 1H16 for one of the major projects. Due to timing difference, potential additional revenue (i.e. variation order) related to these additional costs are yet to be finalised and hence not recorded as revenues for 1H16.

Other expenses increased by S$32k from S$532k (1H15) to S$564k (1H16) due to adminstrative cost incurred for dividend payment (1H15: Nil) and higher professional fee incurred for legal and tax agent fees in 1H16.

Profit before Income Tax

The Group's profit before income tax for the period under review decreased by S$757k from S$770k (1H15) to S$13k (1H16).

Profit net of Tax

The Group's profit net of tax decreased by S$747k from S$751k (1H15) to S$4k (1H16).

Balance Sheet

Non-current assets

The Group's property, plant and equipment decreased by S$13k from S$173k (31 Dec 2015) to S$160k (30 Jun 2016) after accounting for depreciation expense of S$41k, disposal of motor vehicle of S$20k, and assets aquisition of S$48k during 1H16.

Investment property increased by S$1,381k from S$26,000k (31 Dec 2015) to S$27,381k (30 Jun 2016) due to additional cost incurred and capitalised for redevelopment of the Investment Property.

Current assets

The Group's cash and cash equivalents of S$5,970k (30 Jun 2016), comprising of fixed deposits and cash and bank balances, decreased from S$9,988k (31 Dec 2015), mainly due to expenditure incurred in relation to the redevelopment of the Investment Property and dividend for Year 2015 paid in 1H16.

The Group's trade receivable decreased by S$733k from S$1,950k (31 Dec 2015) to S$1,217k (30 Jun 2016) due to timing difference of progress billing.

The Group's inventories decreased by S$138k from S$273k (31 Dec 2015) to S$135k (30 June 2016) mainly due to utilisation of inventory for projects in 1H16.

Current liabilities

The Group's trade payables increased by S$417k from S$897k (31 Dec 2015) to S$1,314k (30 Jun 2016), in-line with increased activities from products and installation.

The Group's other payable decreased by S$2,073k from S$3,813k (31 Dec 2015) to S$1,740k (30 Jun 2016) mainly due to payments made to the main contractor in relation to the redevolpment of the Investment Property of S$1,074k, lower provision for staff related cost and lower accrual for redevelopment work of Investment Property.

Net amount due to customer for contract work-in-progress (after deducting amount due from customer for contract work-in-progress) decreased by S$1,348k from S$175k (31 Dec 2015) to negative S$1,173k (30 Jun 2016) due to timing difference for progress billings.

Cashflow Statement

The Group utilised S$1,030k of cash in its operating activities in 1H16, as compared to cash utilised of S$855k in 1H15. The increased is mainly due to timing difference of progress billing.

The Group utilised S$2,444k of cash in its investing activities in 1H16 as compared to cash utilised of S$4,312k in 1H15. The cash outflow in 1H16 was mainly due to payment for redevelopment of the Investment Property and assets acquisition.

The Group utilised S$544k in its financing activities in 1H16 (1H15: Nil) being dividends payout for Year 2015.

As a whole, the Group utilised cash of S$4,018k in 1H16 as compared to S$5,167k in 1H15. The cash and cash equivalents as at 30 June 2016 was S$5,970k.

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.

There is an ongoing discussion between the Company and NTU on the Exclusive Commercialisation Agreement. The Company would update shareholders when formalised agreement is entered into.

The redevelopment of the Investment Property has completed and the Temporary Occupation Permit was received in July 2016. Progen's office and operations has been relocated to the Investment Property as at 29 July 2016.

With the completion of the redevelopment, the Group does not expect any further material cost and expenses in relation to the Investment Property for FY2016.

The Group's operating environment for the next 12 months continues to be very challenging with strong market competition, increasing operating and labour costs, and slow industry growth.

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/recommended, a statement to that effect.

No dividend has been declared/recommended 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 2016.

14. Confirmation of Undertakings from Directors and Executive Officers under Rule 720(1) of of Section B: Rules of Catalist of the Listing Manual of the SGX-ST ("Catalist Rules")

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules.

15. 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 their 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 2016 to be false or misleading in any material aspects.

BY ORDER OF THE BOARD
PROGEN HOLDINGS LTD

Lee Ee @ Lee Eng
Managing Director
10 August 2016

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 Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Thomas Lam, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.