

HALF YEAR FINANCIAL STATEMENT ANNOUNCEMENT

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

The Board of Directors of AA Group Holdings Ltd. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the half year ended 30 June (“**HY**”) 2019.

1(a)(i) A consolidated statement of comprehensive income (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		% change + / (-)
	HY2019 S\$ '000	HY2018 S\$ '000	
Continuing operations			
Revenue	11,458	9,801	16.91%
Cost of sales and services	(7,723)	(6,868)	12.45%
Gross profit	3,735	2,933	27.34%
Other income	1,059	97	991.75%
Distribution costs	(519)	(574)	-9.58%
Administrative expenses	(3,886)	(2,346)	65.46%
Other expenses	(250)	(250)	0%
Finance income	139	223	-37.67%
Impairment loss on financial assets	(4,162)	(259)	1506.95%
Finance costs	(195)	(192)	1.56%
Loss before income tax	(4,079)	(368)	1008.42%
Income tax credit	279	139	100.72%
Loss for the period from continuing operations	(3,800)	(229)	1559.39%
Discontinued operations			
Profit for the period from discontinued operations	-	182	-100.00%
Total loss for the period	(3,800)	(47)	-7985.11%
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation	(6)	282	-102.13%
Total comprehensive (loss)/income for the period	(3,806)	235	-1719.57%
Attributable to:			
Equity holders of the Company			
- Continuing operations	(3,806)	(214)	-1679%
- Discontinued operations	-	464	-100%
	(3,806)	250	-1623%
Non-controlling interests			
- Continuing operations	-	(15)	n.m.
- Discontinued operations	-	-	n.m.
	-	(15)	n.m.
	(3,806)	235	

n.m. – not meaningful

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the consolidated statement of comprehensive income or in the notes to the consolidated statement of comprehensive income the current financial period reported on and the corresponding period of the immediately preceding financial year:

Loss before income tax is determined after charging / (crediting) the following:

	Group		% change + / (-)
	HY2019 S\$ '000	HY2018 S\$ '000	
<u>Continuing operations:</u>			
Depreciation of property, plant and equipment	1,688	1,638	3%
Impairment loss on financial assets	4,162	259	1507%
Amortisation of intangible asset	247	247	0%
Loss on disposal of property, plant and equipment	23	-	n.m
Interest expense	195	192	2%
Interest income	(139)	(223)	-38%
<u>Discontinued operations:</u>			
Depreciation of property, plant and equipment	-	156	-100%
Gain on disposal of subsidiaries	-	(4,142)	-100%

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

	Group		Company	
	As at 30 June 2019 S\$ '000	As at 31 Dec 2018 S\$ '000	As at 30 June 2019 S\$ '000	As at 31 Dec 2018 S\$ '000
ASSETS				
Non-Current Assets				
Property, plant and equipment	57,795	59,527	-	-
Intangible assets	1,319	1,566	-	-
Goodwill	5,388	5,388	-	-
Financial assets, at FVOCI	150	150	-	-
Investment in subsidiaries	-	-	36,700	36,700
	64,652	66,631	36,700	36,700
Current Assets				
Inventories	181	100	-	-
Trade receivables	4,100	11,795	-	-
Other receivables, prepayments and deposits	344	5,145	1,932	1,948
Cash and bank balance	5,538	3,116	178	81
	10,163	20,156	2,110	2,029
Total Assets	74,815	86,787	38,810	38,729
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Share capital	35,225	35,225	35,225	35,225
Reserves	21,515	25,321	(9,091)	(8,953)
	56,740	60,546	26,134	26,272
Non-controlling interests	19	19	-	-
Total equity	56,759	60,565	26,134	26,272
Non-Current Liabilities				
Bank borrowings	484	820	-	-
Hire purchase creditors	26	53	-	-
Deferred tax liabilities	9,260	9,549	-	-
Other liabilities	648	648	-	-
Bond payable	-	-	1,000	1,000
	10,418	11,070	1,000	1,000

Cont'd

	Group		Company	
	As at 30 June 2019	As at 31 Dec 2018	As at 30 June 2019	As at 31 Dec 2018
	S\$ '000	S\$ '000	S\$ '000	S\$ '000
Current Liabilities				
Trade payables	2,835	5,609	-	-
Other payables and accruals	2,602	4,004	11,676	11,457
Hire purchase creditors	54	51	-	-
Bank borrowings	792	3,789	-	-
Income tax payable	1,355	1,699	-	-
	<u>7,638</u>	<u>15,152</u>	<u>11,676</u>	<u>11,457</u>
Total Liabilities	<u>18,056</u>	<u>26,222</u>	<u>12,676</u>	<u>12,457</u>
Total Equity and Liabilities	<u>74,815</u>	<u>86,787</u>	<u>38,810</u>	<u>38,729</u>

(b)(ii) In relation to the aggregate amount of the Group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

The amount repayable in one year or less, or on demand

	As at 30 June 2019		As at 31 Dec 2018	
	Secured	Unsecured	Secured	Unsecured
	S\$ '000	S\$ '000	S\$ '000	S\$ '000
Bank borrowings	792	-	3,789	-
Hire purchase creditors	54	-	51	-

The amount repayable after one year

	As at 30 June 2019		As at 31 Dec 2018	
	Secured	Unsecured	Secured	Unsecured
	S\$ '000	S\$ '000	S\$ '000	S\$ '000
Bank borrowings	484	-	820	-
Hire purchase creditors	26	-	53	-

Details of any collaterals

All of the Group's secured borrowings were either obtained through i) joint and several personal guarantees by 3 directors of a subsidiary, ii) corporate guarantee of a subsidiary, iii) legal mortgage of a subsidiary's leasehold properties and iv) assignment of rental proceeds/charge over rental account to be executed of all current and future rental income from the leasehold properties. The Group's obligation under hire purchases are secured by the lessors' title to the leased assets of office equipment and motor vehicles.

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

	Group	
	HY2019 S\$ '000	HY2018 S\$ '000
Cash flows from operating activities:		
Loss before income tax – Continuing operations	(4,079)	(368)
Profit before income tax – Discontinued operations	-	182
Adjustments for:		
Depreciation of property, plant and equipment	1,688	1,794
Amortisation of intangible assets	247	247
Loss on disposal of property, plant and equipment	23	-
Impairment loss on financial assets	4,162	259
Unrealised loss on foreign exchange	(6)	25
Gain on disposal of subsidiaries	-	(4,142)
Interest expense	195	192
Interest income	(139)	(223)
Operating cash flows before changes in working capital	2,091	(2,034)
Changes in working capital:		
Inventories	(81)	3,464
Trade and other receivables	8,334	(4,253)
Trade and other payables	(4,176)	(126)
Cash from/(used in) operating activities	6,168	(2,949)
Interest income	139	223
Interest paid	(195)	(192)
Income tax paid	(353)	(5,621)
Net cash from/(used in) operating activities	5,759	(3,479)
Cash flows from investing activities:		
Purchase of property, plant and equipment ^(a)	(4)	(454)
Proceeds from disposal of property, plant and equipment	25	-
Net cash inflow on disposal of subsidiaries	-	7,347
Net cash from investing activities	21	6,893
Cash flows from financing activities:		
Repayment of hire purchase creditors (net)	(24)	(139)
(Repayment)/proceeds from money market loans	(3,000)	1,980
Repayment of term loans	(334)	(390)
Proceeds from issue of shares from exercise of warrants	-	19
Repayment of coupons	-	(6,000)
Net cash used in financing activities	(3,358)	(4,530)
Net increase/(decrease) in cash and cash equivalents	2,422	(1,116)
Cash and cash equivalents at the beginning of period	3,116	3,847
Cash and cash equivalents at the end of period ^(b)	5,538	2,731

(a) During the financial period under review, other property, plant and equipment amounting to S\$4,000 (2018: S\$454,000) were acquired by cash payment.

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 Company				Total	Non-controlling interests	Total
	Share Capital	Merger Reserve	Translation Reserve	Retained Earnings			
	S\$ '000	S\$ '000	S\$ '000	S\$ '000			
Balance as at 1 January 2018	28,131	(6,478)	(4,476)	37,850	55,027	53	55,080
Net loss for the period	-	-	-	(32)	(32)	(15)	(47)
Other comprehensive income for the period net of tax:							
Currency translation differences arising from consolidation	-	-	282	-	282	-	282
Total comprehensive income for the period	-	-	282	(32)	250	(15)	235
Disposal of subsidiaries	-	-	4,194	(4,194)	-	-	-
<u>Contributions by owners</u>							
Exercise of warrants	19	-	-	-	19	-	19
Balance as at 30 June 2018	28,150	(6,478)	-	33,624	55,296	38	55,334

Group	Attributable to equity holders of the Company				Total	Non-controlling interests	Total
	Share Capital	Merger Reserve	Translation Reserve	Retained Earnings			
	S\$ '000	S\$ '000	S\$ '000	S\$ '000			
Balance as at 1 January 2019	35,225	(6,478)	5	31,794	60,546	19	60,565
Net loss for the period	-	-	-	(3,800)	(3,800)	-	(3,800)
Other comprehensive loss for the period net of tax:							
Currency translation differences arising from consolidation	-	-	(6)	-	(6)	-	(6)
Total comprehensive loss for the period	-	-	(6)	(3,800)	(3,806)	-	(3,806)
Balance as at 30 June 2019	35,225	(6,478)	(1)	27,994	56,740	19	56,759

Company

	Share Capital S\$ '000	Accumulated Losses S\$ '000	Total Equity S\$ '000
Balance as at 1 January 2018	28,131	(9,441)	18,690
Total comprehensive loss for the period	-	(494)	(494)
Exercise of warrants	19	-	19
Balance as at 30 June 2018	<u>28,150</u>	<u>(9,935)</u>	<u>18,215</u>

	Share Capital S\$ '000	Accumulated Losses S\$ '000	Total Equity S\$ '000
Balance as at 1 January 2019	35,225	(8,953)	26,272
Total comprehensive loss for the period	-	(138)	(138)
Balance as at 30 June 2019	<u>35,225</u>	<u>(9,091)</u>	<u>26,134</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

Changes in share capital during the financial period

	As at 30 June 2019	As at 30 June 2018
As at beginning of the period	1,780,854,461	1,423,018,461
Issue of shares from exercise of warrants	-	1,546,000
As at end of the period	<u>1,780,854,461</u>	<u>1,424,564,461</u>

On 23 December 2016, the Company issued 962,762,010 new ordinary shares in the capital of the Company at \$0.01 each and 962,762,010 free detachable warrants ("**Rights cum Warrants Issue**") on the basis of ten (10) Rights Shares for every one (1) existing share held. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of \$0.012.

As at 30 June 2019, 281,816,250 (2018: 275,526,250) warrants were exercised at \$0.012 each pursuant to the Rights cum Warrants Issue. There were outstanding warrants of 680,945,760 (2018: 687,235,760) for conversion into ordinary shares.

As at 30 June 2019 and 30 June 2018, the Company did not have any treasury shares. As 30 June 2019 and 30 June 2018, the Company did not have any outstanding convertibles that may be converted into shares.

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 June 2019	As at 31 December 2018
Total number of issued shares (excluding treasury shares)	<u>1,780,854,461</u>	<u>1,780,854,461</u>

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 as the Company does not have any treasury shares.

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

The figures have not been audited or reviewed by the Company's auditors.

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation adopted in the Group's financial statements for the current reporting period as compared with the audited financial statements of the Group for the financial year ended 31 December 2018.

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

Adoption of new or revised Financial Reporting Standards ("FRS") which are relevant to the Group and mandatory for the financial period beginning on or after 1 January 2019.

The Group has adopted all the new and revised FRS and interpretation of FRS that are relevant and effective for annual periods beginning 1 January 2019.

The adoption of these new/revised FRS and interpretation of FRS does not have a significant financial impact on the financial performance or financial position of the Group and of the Company. They did however give rise to additional disclosure including, in some cases, revision to accounting policies.

6. (Loss)/earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	HY2019	HY2018
Continuing operations:		
Loss per share (S\$ cents)		
- Basic ⁽¹⁾	(0.16)	(0.01)
- Diluted ⁽²⁾	(0.17)	(0.01)

Notes:

- (1) Loss per share was computed based on the weighted average number of issued shares in issue, being 2,205,106,027 (2018: 1,775,108,699) ordinary shares.
- (2) For the purpose of calculating the diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive warrants with the potential ordinary shares weighted for the period outstanding.

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 period reported on and (b) immediately preceding financial year

	<-----Group----->		<-----Company----->	
	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018
Net asset value per share based on existing issued capital (excluding treasury shares) as at the end of the respective financial periods (S\$ cents) ⁽¹⁾	3.19	3.40	1.47	1.47

Note:

(1) NAV per share were computed based on the issued share capital of 1,780,854,461 ordinary shares as at 30 June 2019 and 1,780,854,461 ordinary shares as at 31 December 2018.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on

(a) The Group's revenue for HY2019 increased by approximately S\$1.66 million or 16.91% as compared to HY2018. The increase in revenue was mainly attributable to contribution of revenue from subsidiary, Poh Huat Heng Corporation Pte. Ltd. ("PHH") acquired in December 2018, by approximately S\$1.6 million.

(b) Cost of sales for HY2019 was higher by S\$0.85 million as compared to HY2018 and this is mainly attributable to sub-contractor and material costs by PHH.

(c) The Group's other income for HY2019 increased by approximately S\$0.96 million as compared to HY2018, mainly due to contribution from PHH amounting to S\$0.85 million. Included in other income of PHH are supply of labour charges, machinery and rental and sundry income totalling S\$0.78 million.

(d) The Group's distribution cost was lower by S\$0.05 million is mainly due to the reduced expenses incurred by WPC. The Group's other expenses of S\$0.25million is the amortisation of intangible assets which is in relation to customer contracts acquired arising from the acquisition of the subsidiaries.

(e) The Group's administrative expenses increased significantly by approximately S\$1.54 million or 65.64% as compared to HY2018. This is mainly due to contribution of expense by PHH that was acquired in December 2018, comprising depreciation, staff costs, management fees and rental.

(f) The Group's finance income decreased by approximately S\$0.08 million as compared to HY 2018, mainly due to settlement of the loans provided to third party. The Group's finance costs remained constant as compared to HY 2018.

(g) Impairment loss on financial assets arose from impairment on loan to Epicentre Pte. Ltd. and Broadwell Limited for S\$1.82 million and S\$2.34million respectively. For further details of the loans, please refer to page 98 of the Company's 2018 Annual Report, at note 2 and 3 respectively. Based on a review of the recoverability of these loans, the Company's Board of Directors and Audit Committee support the said impairment.

(h) The Group recorded higher loss before income tax for HY2019 by approximately S\$3.71 million or 1008.42%, mainly due to the recognition of impairment on the loan for S\$4.16million.

(i) The Group's income tax credit for HY2019 is mainly due to the recognition of deferred tax assets arising from the fair value adjustment for the investment property of EMS.

(j) Discontinued operations pertaining to the results of Allied Advantage Sdn Bhd and its subsidiaries and Toko Construction Pte. Ltd. up to the date of disposal in FY18. A profit of S\$0.18 million was recorded by discontinued operations this year due mainly to loss from the operation amounting to S\$3.96 million but offset with the gain from disposal amounting to S\$4.14 million.

(k) As at 30 June 2019, the net book value of the Group's property, plant and equipment was approximately S\$57.80

million. The foregoing constituted approximately 77.25% of the Group's total assets as at 30 June 2019.

Intangible asset was recognised in relation to a customer contracts acquired arising from the acquisition of EMS in FY 2017.

(l) As at 30 June 2019, the current assets of the Group amounted to approximately S\$10.16 million, representing approximately 13.58% of the Group's total assets.

As at 30 June 2019, the Group's inventories amounted to approximately S\$0.18 million and constituted approximately 1.78% of the Group's total current assets. The Group's inventories comprised mainly of raw materials and finished products.

As at 30 June 2019, the Group's trade receivables amounted to approximately S\$4.10 million and other receivables amounted to approximately S\$0.34 million, representing approximately 40.34% and 3.38% respectively of the Group's total current assets.

The Group's cash and bank balances comprising cash on hand and cash at financial institutions amounted to approximately S\$5.54 million as at 30 June 2019.

(m) As at 30 June 2019, the total current liabilities of the Group amounted to approximately S\$7.64 million, representing approximately 42.30% of the Group's total liabilities.

As at 30 June 2019, the Group's trade payables amounted to approximately S\$2.83 million, which is equivalent to 15.70% of the Group's total liabilities.

Short-term borrowings of the Group, including hire purchase payables, amounted to approximately S\$0.85 million as at 30 June 2019 and represented approximately 11.08% of the Group's total current liabilities. These borrowings were used mainly for the Group's working capital purposes.

As at 30 June 2019, long-term borrowings of the Group amounted to S\$0.51 million, representing 4.90% of the Groups' non-current liabilities.

(n) The Group's shareholders' equity as at 30 June 2019 was approximately S\$56.74 million.

(o) In HY2019, the Group's operating cash flow before changes in working capital was approximately S\$2.10 million and net cash from operating activities was approximately S\$5.76 million. This was mainly due to an increased settlement in trade and other receivables.

(p) The Group's net cash from investing activities in HY2019 amounted to approximately S\$21k. This was mainly attributable to the disposal of plant(s) and equipment during the period.

(q) The Group's net cash used in financing activities in HY2019 amounted to approximately S\$3.36 million. This was mainly attributable to the repayment of money market loan and term loan totalling S\$3.34 million during the period.

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

Not applicable, there was no forecast or prospect statement previously disclosed to shareholders.

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

As at the date of the announcement, the Group is principally engaged in the following business:

- (a) Supply and manufacturing of ready-mix concrete;
- (b) Manufacturing of precast concrete products;
- (c) Providing one-stop high value-added general warehousing and logistics services, industrial and office space for engineering, and manufacturing and industrial training and workers' dormitory facilities.
- (d) Provision of underground cable installation and road reinstatement services

The Group expects its supply and manufacturing business to be challenging as the industry is at the trough of the market cycle and the Group faces constant competition in this sector. However, the Group expects a consistent flow of revenue contribution from Engineering Manufacturing Services (S) Pte Ltd for the next 12 months, mainly arising from contracted leasing/service income.

While it is certain that the global business environment remains competitive and the Group will continue to face challenges along the way, the management maintains a cautious outlook and expects the business environment to remain highly challenging for the next 12 months

The Group will continue to look for the right opportunities to diversify its businesses and revenue streams. This could happen through further acquisitions, investments or the starting of new businesses. It is important that the Group stays diversified so that it will be able to ride any potential storm that comes its way.

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 or recommended in respect of HY2019.

13. Summary of Interested Person Transactions for HY2019

There was no interested person transaction which is S\$100,000 and above during the period under review. The Group has not obtained a general mandate from shareholders in respect of any interested person transactions.

14. Undertakings pursuant to Rule 720(1)

The Company has procured undertakings from all its directors and executive officers in the format set out in Appendix 7H.

15. Negative Assurance Confirmation by Directors Pursuant to SGX Listing Rule 705(5)

We, Tan Poh Guan and Lai Choong Hon, 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 interim financial statements of the Group for the half year ended 30 June 2019 (comprising the comprehensive income statement, balance sheet, cash flow statement and statement of changes in equity, together with the accompanying notes) presented in this announcement to be false or misleading in any material respect. A signed confirmation copy is kept in record.

On behalf of the Board,

Tan Poh Guan
Executive Director

Lai Choong Hon
Executive Director

BY ORDER OF THE BOARD

Tan Poh Guan
Executive Director
14 August 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "Sponsor"), 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. The Sponsor and the SGX-ST assume 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. Bernard Lui, Telephone: +65 63893000, Email: bernard.lui@morganlewis.com