

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::FIRST QUARTER RESULTS

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CSC HOLDINGS LIMITED

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For Financial Period Ended

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CSC HOLDINGS LIMITED

(Company Registration Number: 199707845E)

Financial Statements Announcement

for the First Quarter Ended 30 June 2019

(For the Financial Year Ending 31 March 2020)

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Review of the Performance of the Group

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

1QFY20 – for the 3 months ended 30 June 2019
 4QFY19 – for the 3 months ended 31 March 2019
 1QFY19 – for the 3 months ended 30 June 2018

Review of Results for the First Quarter Ended 30 June 2019

	1QFY20 \$'000	4QFY19 \$'000	Change %	1QFY20 \$'000	1QFY19 \$'000	Change %
Revenue	80,524	74,733	7.7	80,524	81,302	(1.0)
Gross Profit	9,682	4,282	>100.0	9,682	4,336	>100.0
Other Income	592	457	29.5	592	820	(27.8)
Operating Expenses	(7,573)	(10,507)	(27.9)	(7,573)	(6,509)	16.3
Profit/(Loss) from Operating Activities	2,701	(5,768)	N.M.	2,701	(1,353)	N.M.
Net Finance Expenses	(912)	(597)	52.8	(912)	(906)	0.7
Share of Loss of Associates	(50)	(35)	42.9	(50)	-	N.M.
Profit/(Loss) before Tax	1,739	(6,400)	N.M.	1,739	(2,259)	N.M.
Tax Expense	(343)	(509)	(32.6)	(343)	(182)	88.5
Profit/(Loss) for the period	1,396	(6,909)	N.M.	1,396	(2,441)	N.M.
EBITDA	9,255	232	>100.0	9,255	4,666	98.3
Gross Profit Margins	12.0%	5.7%		12.0%	5.3%	

Revenue

Revenue for the Group of \$80.5 million for 1QFY20 was stable compared to \$81.3 million recorded for 1QFY19.

Quarter-on-quarter, the Group recorded a 7.7% increase in revenue as compared to \$74.7 million in 4QFY19 on the back of higher work volume from projects secured as demand for construction activities in Singapore improved.

Gross Profit and Gross Profit Margins (GPM)

Gross profit and GPM for 1QFY20 were higher at \$9.7 million and 12.0% (1QFY19: \$4.3 million and 5.3%). The improvement in GPM reflected an overall improvement in tender prices and business activities.

Quarter-on-quarter, gross profit and GPM increased in tandem with the higher revenue recorded.

Other Income

The Group recorded other income of \$0.6 million for 1QFY20 (1QFY19: \$0.8 million; 4QFY19: \$0.5 million), taking into account the gain from the disposal of old equipment of \$0.4 million in 1QFY20 (1QFY19: \$0.7 million; 4QFY19: \$0.1 million).

Operating Expenses

	1QFY20 \$'000	4QFY19 \$'000	Change %	1QFY20 \$'000	1QFY19 \$'000	Change %
Other Operating Expenses	6,852	8,770	(21.9)	6,852	6,826	0.4
a) Impairment Losses Recognised/ (Reversed) on:						
- Trade and Other Receivables and Contract Assets	239	1,608	(85.1)	239	(304)	N.M.
- Other Investment	240	-	N.M.	240	-	N.M.
b) Exchange Loss/(Gain)	242	129	87.6	242	(13)	N.M.
Operating Expenses *	7,573	10,507	(27.9)	7,573	6,509	16.3
Other Operating Expenses /Revenue	8.5%	11.7%		8.5%	8.4%	

* Comprises of Distribution Expenses, Administrative Expenses and Other Operating Expenses/(Income).

Other operating expenses for 1QFY20 amounted to \$6.9 million, comparable to the \$6.8 million incurred in 1QFY19.

Other operating expenses for 1QFY20 were lower compared to 4QFY19. The decrease was mainly from lower administrative expenses recorded and the absence of one-off expenses incurred in 1QFY20. Other operating expenses for 4QFY19 included expected credit losses on debtors arising from the adoption of new accounting standard and higher legal fees incurred to recover outstanding debt amounting to \$1.6 million collectively.

Other operating expenses to revenue ratio of 8.5% for 1QFY20 was comparable to 8.4% in 1QFY19. Sequentially, the ratio improved by 27% from 4QFY19, in line with the higher revenue and lower other operating expenses recorded in 1QFY20.

Net Finance Expenses

	1QFY20 \$'000	4QFY19 \$'000	Change %	1QFY20 \$'000	1QFY19 \$'000	Change %
Interest Income	50	10	>100.0	50	52	(3.8)
Interest Expenses	(1,082)	(1,098)	(1.5)	(1,082)	(837)	29.3
Net Interest Expenses	(1,032)	(1,088)	(5.1)	(1,032)	(785)	31.5
Imputed Interest on Non- Current Assets	261	491	(46.8)	261	(121)	N.M.
Interest Expenses on Lease Liabilities	(141)	-	N.M.	(141)	-	N.M.
Net Finance Expenses	(912)	(597)	52.8	(912)	(906)	0.7

Net interest expenses of \$1.0 million incurred for 1QFY20 was higher than that of \$0.8 million in 1QFY19. The increase was due to higher amount of short-term borrowings drawn down for working capital purposes.

Net interest expenses for 1QFY20 were comparable to 4QFY19.

Profit/(Loss) for the period

The Group recorded net profit before tax of \$1.7 million in 1QFY20, a turnaround from losses before tax of \$2.3 million in 1QFY19 and \$6.4 million in 4QFY19. The results for 4QFY19 included a provision of \$1.0 million in relation to a project that experienced delays and cost overruns. There was no such provision made in 1QFY20.

Earnings before interest, tax, depreciation and amortisation (EBITDA) also improved significantly to \$9.3 million in 1QFY20, compared to EBITDA of \$4.7 million in 1QFY19 and \$0.2 million in 4QFY19.

Earnings per share for 1QFY20 was 0.03 cent, a turnaround from a loss per share of 0.13 cent in 1QFY19 and a loss per share of 0.30 cent in 4QFY19.

STATEMENT OF FINANCIAL POSITION

Property, Plant and Equipment

Net book value of property, plant and equipment as at 30 June 2019 was \$137.0 million (31 March 2019: \$137.1 million).

In 1QFY20, the Group acquired \$2.3 million worth of new plant and equipment to replace older equipment. The Group disposed of plant and equipment with carrying values of \$0.5 million and recorded a \$0.1 million gain on the disposal. Depreciation charge for 1QFY20 was \$6.0 million (1QFY19: \$6.0 million).

Net Current Assets

As at 30 June 2019, net current assets was \$4.5 million (31 March 2019: \$4.1 million). Current ratio (current assets / current liabilities) was 1.02 (31 March 2019: 1.02).

The Group had higher inventories of \$30.7 million at 30 June 2019 (31 March 2019: \$29.7 million) as it had anticipated an increase in equipment sale and leasing activities.

Trade and other receivables and contract assets were \$137.9 million (31 March 2019: \$134.6 million) while trade and other payables and contract liabilities were \$107.2 million (31 March 2019: \$99.7 million).

The Group disposed of assets held for sale with carrying values of \$0.6 million and recorded a \$0.3 million gain on the disposal in 1QFY20. As at 30 June 2019, assets held for sale was \$15.0 million (31 March 2019: \$15.5 million).

Following the adoption of Singapore Financial Reporting Standards (International) (“SFRS(I)”) 16 *Leases* as disclosed in “Accounting Policies” on pages 23 to 24, the Group has recognised current right-of-use assets and current lease liabilities of \$2.6 million and \$2.4 million respectively.

Borrowings

As at 30 June 2019, total borrowings, excluding lease liabilities arising from the adoption of SFRS(I) 16 *Leases*, of the Group was \$96.7 million (31 March 2019: \$102.7 million). The reduction was a result of net repayment of debt in 1QFY20.

Consequently, the debt to equity ratio as at 30 June 2019 improved to 0.67 (31 March 2019: 0.72).

Equity and Net Asset Value

As at 30 June 2019, the Group’s equity was \$143.7 million (31 March 2019: \$142.4 million), while net asset value per ordinary share was 6.2 cents (31 March 2019: 6.1 cents).

CASH FLOW

	1QFY20 \$'000	4QFY19 \$'000	Change %	1QFY20 \$'000	1QFY19 \$'000	Change %
Cash Flow from Operating Activities	10,299	451	>100.0	10,299	569	>100.0
Cash Flow from Investing Activities	(402)	(1,289)	(68.8)	(402)	(4,344)	(90.7)
Cash Flow from Financing Activities	(12,188)	(1,399)	>100.0	(12,188)	(1,317)	>100.0
Cash and Cash Equivalents	4,889	7,193	(32.0)	4,889	10,678	(54.2)

Cash Flow from Operating Activities

Net cash inflow from operating activities was \$10.3 million for 1QFY20 (1QFY19: \$0.6 million; 4QFY19: \$0.5 million), taking into account the net profit recorded during the period under review.

Cash Flow from Investing Activities

The Group recorded a lower net cash outflow from investing activities of \$0.4 million for 1QFY20 (1QFY19: \$4.3 million; 4QFY19: \$1.3 million) as the Group incurred lower capital expenditure in 1QFY20.

Cash Flow from Financing Activities

The Group's net cash outflow from financing activities was \$12.2 million for 1QFY20 (1QFY19: \$1.3 million; 4QFY19: \$1.4 million), following the higher net repayment of bank borrowings during the quarter.

Cash and Cash Equivalents

Taking into consideration the abovementioned factors, the Group's cash and cash equivalents stood at \$4.9 million as at 30 June 2019 (30 June 2018: \$10.7 million; 31 March 2019: \$7.2 million).

Outlook

The Group's performance turnaround came on the back of a recovery in Singapore's construction industry. This recovery in the construction sector has been pinpointed as a bright spot against a cloudy economic outlook for Singapore, with public and private sector projects expected to continue to support construction demand in the year ahead.

Against this backdrop, the Group is cautiously optimistic about the prospects of its continuing recovery for the current financial year. Nevertheless, it is also mindful that the wider economic and geopolitical headwinds could yet weigh on the sector's recovery.

As at 2 August 2019, the Group's order book stands at about \$150 million (17 May 2019: \$160 million), which should provide the Group with a steady flow of activities for the next six months.

Consolidated Statement of Profit or Loss for the 3 Months ended 30 June 2019

	Note	Group		Change
		3 months ended		
		30-Jun-19	30-Jun-18	
		\$'000	\$'000	%
Revenue		80,524	81,302	(1.0)
Cost of sales	A	(70,842)	(76,966)	(8.0)
Gross profit		9,682	4,336	>100.0
Other income	B	592	820	(27.8)
Operating expenses				
- Distribution expenses		(106)	(231)	(54.1)
- Administrative expenses	C	(7,023)	(6,347)	10.7
- Other operating (expenses)/income	D	(444)	69	N.M.
		(7,573)	(6,509)	16.3
Results from operating activities		2,701	(1,353)	N.M.
Net finance expenses				
- Finance income		311	52	>100.0
- Finance expenses		(1,223)	(958)	27.7
		(912)	(906)	0.7
Share of loss of associates (net of tax)		(50)	-	N.M.
Profit/(Loss) before tax		1,739	(2,259)	N.M.
Tax expense	E	(343)	(182)	88.5
Profit/(Loss) for the period		1,396	(2,441)	N.M.
Attributable to:				
Owners of the Company		742	(2,900)	N.M.
Non-controlling interests		654	459	42.5
Profit/(Loss) for the period		1,396	(2,441)	N.M.

Gross profit margin	12.0%	5.3%
Net profit/(loss) margin	1.7%	-3.0%

Consolidated Statement of Comprehensive Income for the 3 Months ended 30 June 2019

	Group		
	3 months ended		Change
	30-Jun-19	30-Jun-18	
	\$'000	\$'000	%
Profit/(Loss) for the period	1,396	(2,441)	N.M.
Other comprehensive income, net of tax Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations	(67)	(158)	(57.6)
Total comprehensive income for the period	1,329	(2,599)	N.M.
Attributable to:			
Owners of the Company	613	(3,009)	N.M.
Non-controlling interests	716	410	74.6
Total comprehensive income for the period	1,329	(2,599)	N.M.

Statement of Financial Position as at 30 June 2019

DESCRIPTION	Note	Group		Company	
		30-Jun-19	31-Mar-19	30-Jun-19	31-Mar-19
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	1	136,962	137,101	10	12
Right-of-use assets		8,588	-	-	-
Goodwill		1,452	1,452	-	-
Investments in:					
- subsidiaries		-	-	117,742	112,582
- associates		626	651	-	-
Other investments		163	406	-	-
Contract assets		17,031	16,106	-	-
Trade and other receivables		1,965	2,007	9,856	9,856
Deferred tax assets		35	44	161	161
		166,822	157,767	127,769	122,611
Current assets					
Inventories	2	30,741	29,687	-	-
Right-of-use assets		2,592	-	-	-
Contract assets		72,913	80,882	-	-
Trade and other receivables		64,951	53,757	13,790	13,198
Tax recoverable		566	506	-	-
Cash and cash equivalents		14,668	15,212	478	503
		186,431	180,044	14,268	13,701
Assets held for sale		14,970	15,539	-	-
		201,401	195,583	14,268	13,701
Total assets		368,223	353,350	142,037	136,312

Statement of Financial Position as at 30 June 2019 (cont'd)

DESCRIPTION	Note	Group		Company	
		30-Jun-19	31-Mar-19	30-Jun-19	31-Mar-19
		\$'000	\$'000	\$'000	\$'000
Equity attributable to owners of the Company					
Share capital		81,686	81,635	81,686	81,635
Reserves		33,881	33,268	48,398	48,319
		115,567	114,903	130,084	129,954
Non-controlling interests		28,164	27,448	-	-
Total equity		143,731	142,351	130,084	129,954
Non-current liabilities					
Loans and borrowings	3	16,497	17,392	2	5
Lease liabilities		8,823	-	-	-
Deferred tax liabilities		2,283	2,079	-	-
		27,603	19,471	2	5
Current liabilities					
Loans and borrowings	3	80,222	85,313	11	11
Lease liabilities		2,418	-	-	-
Contract liabilities		3,127	4,225	-	-
Trade and other payables		104,036	95,434	11,910	6,319
Provisions		6,637	6,113	-	-
Current tax payable		449	443	30	23
		196,889	191,528	11,951	6,353
Total liabilities		224,492	210,999	11,953	6,358
Total equity and liabilities		368,223	353,350	142,037	136,312

Consolidated Statement of Cash Flows for the 3 Months ended 30 June 2019

	3 months ended	
	<u>30-Jun-19</u>	<u>30-Jun-18</u>
	\$'000	\$'000
Cash flows from operating activities		
Profit/(Loss) for the period	1,396	(2,441)
Adjustments for:		
Bad debts written back	-	(38)
Depreciation of:		
- property, plant and equipment	5,971	6,019
- right-of-use assets	633	-
Gain on disposal of:		
- property, plant and equipment	(110)	(667)
- assets held for sale	(259)	-
Expected credit losses (reversed)/recognised on trade and other receivables and contract assets	(142)	193
Impairment losses recognised/(reversed) on:		
- trade and other receivables and contract assets	239	(304)
- other investment	240	-
Inventories written off	25	9
Net finance expenses	912	906
Property, plant and equipment written off	11	-
Provision for rectification costs	1,547	203
Share of loss of associates (net of tax)	50	-
Write-down of plant and equipment	74	42
Tax expense	343	182
Operating activities before working capital changes	10,930	4,104
Changes in working capital:		
Inventories	(1,096)	1,237
Trade and other receivables and contract assets	(4,489)	(21,663)
Trade and other payables and contract liabilities	5,096	17,110
Cash generated from operations	10,441	788
Taxes paid	(192)	(271)
Interest received	50	52
Net cash generated from operating activities	10,299	569

**Consolidated Statement of Cash Flows for the 3 Months ended 30 June 2019
(cont'd)**

	3 months ended	
	<u>30-Jun-19</u>	<u>30-Jun-18</u>
	\$'000	\$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,712)	(5,179)
Proceeds from disposal of:		
- property, plant and equipment	730	955
- assets held for sale	580	-
Subscription of convertible notes	-	(120)
Net cash used in investing activities	<u>(402)</u>	<u>(4,344)</u>
Cash flows from financing activities		
Interest paid	(1,212)	(811)
Proceeds from:		
- bank loans and finance lease loans	7,955	3,154
- bills payable	38,879	27,895
- government grants for acquisition of property, plant and equipment	-	127
- issue of shares from exercise of warrants, net of expenses	51	24
Repayment of:		
- bank loans	(6,263)	(4,443)
- bills payable	(48,663)	(24,712)
- finance lease liabilities	(2,363)	(2,551)
- lease liabilities	(572)	-
Net cash used in financing activities	<u>(12,188)</u>	<u>(1,317)</u>
Net decrease in cash and cash equivalents	(2,291)	(5,092)
Cash and cash equivalents at 1 April	7,193	15,758
Effect of exchange rate changes on balances held in foreign currencies	(13)	12
Cash and cash equivalents at 30 June	<u>4,889</u>	<u>10,678</u>
Comprising:		
Cash and cash equivalents	14,668	15,352
Bank overdrafts	(9,779)	(4,674)
Cash and cash equivalents in the consolidated cash flow statement	<u>4,889</u>	<u>10,678</u>

Statements of Changes in Equity for the 3 Months ended 30 June 2019

<u>Group</u>	Share capital	Capital reserve	Reserve for own shares	Reserve on consolidation	Foreign currency translation reserve	Revaluation reserve	Other reserve	Accumulated profits	Total attributable to owners	Non-controlling interests	Total equity
									of the Company		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 March 2018, as previously reported	80,498	17,798	(2,354)	116	(5,770)	11,199	(881)	31,834	132,440	26,761	159,201
Adoption of SFRS(I) 15	-	-	-	-	1	-	-	185	186	-	186
At 31 March 2018, as restated	80,498	17,798	(2,354)	116	(5,769)	11,199	(881)	32,019	132,626	26,761	159,387
Adoption of SFRS(I) 9	-	-	-	-	-	-	-	(270)	(270)	(122)	(392)
At 1 April 2018, as restated	80,498	17,798	(2,354)	116	(5,769)	11,199	(881)	31,749	132,356	26,639	158,995
Total comprehensive income for the period											
(Loss)/Profit for the period	-	-	-	-	-	-	-	(2,900)	(2,900)	459	(2,441)
Other comprehensive income											
Foreign currency translation differences	-	-	-	-	(109)	-	-	-	(109)	(49)	(158)
Transfer of revaluation surplus	-	-	-	-	-	(149)	-	149	-	-	-
Total other comprehensive income	-	-	-	-	(109)	(149)	-	149	(109)	(49)	(158)
Total comprehensive income for the period	-	-	-	-	(109)	(149)	-	(2,751)	(3,009)	410	(2,599)
Transactions with owners of the Company, recorded directly in equity											
Contributions by and distributions to owners											
Issue of shares from exercise of warrants	24	-	-	-	-	-	-	-	24	-	24
Total transactions with owners of the Company	24	-	-	-	-	-	-	-	24	-	24
At 30 June 2018	80,522	17,798	(2,354)	116	(5,878)	11,050	(881)	28,998	129,371	27,049	156,420

Statements of Changes in Equity for the 3 Months ended 30 June 2019 (cont'd)

<u>Group</u>	Share capital	Capital reserve	Reserve for own shares	Reserve on consolidation	Foreign currency translation reserve	Revaluation reserve	Other reserve	Accumulated profits	Total attributable to owners of the Company	Non-controlling interests	Total equity
At 1 April 2019	81,635	17,798	(2,354)	116	(6,141)	11,719	(881)	13,011	114,903	27,448	142,351
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	742	742	654	1,396
Other comprehensive income											
Foreign currency translation differences	-	-	-	-	(129)	-	-	-	(129)	62	(67)
Transfer of revaluation surplus	-	-	-	-	-	(80)	-	80	-	-	-
Total other comprehensive income	-	-	-	-	(129)	(80)	-	80	(129)	62	(67)
Total comprehensive income for the period	-	-	-	-	(129)	(80)	-	822	613	716	1,329
Transactions with owners of the Company, recorded directly in equity											
Contributions by and distributions to owners											
Issue of shares from exercise of warrants	51	-	-	-	-	-	-	-	51	-	51
Total transactions with owners of the Company	51	-	-	-	-	-	-	-	51	-	51
At 30 June 2019	81,686	17,798	(2,354)	116	(6,270)	11,639	(881)	13,833	115,567	28,164	143,731

Statements of Changes in Equity for the 3 Months ended 30 June 2019 (cont'd)

<u>Company</u>	<u>Share capital</u>	<u>Capital reserve</u>	<u>Reserve for own shares</u>	<u>Accumulated profits</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2018, as previously reported	80,498	17,798	(2,354)	35,923	131,865
Adoption of SFRS(I) 9	-	-	-	(2,266)	(2,266)
At 1 April 2018, as restated	80,498	17,798	(2,354)	33,657	129,599
Total comprehensive income for the period	-	-	-	(20)	(20)
Transactions with owners of the Company, recorded directly in equity					
Issue of shares from exercise of warrants	24	-	-	-	24
Total transactions with owners	24	-	-	-	24
At 30 June 2018	80,522	17,798	(2,354)	33,637	129,603
At 1 April 2019	81,635	17,798	(2,354)	32,875	129,954
Total comprehensive income for the period	-	-	-	79	79
Transactions with owners of the Company, recorded directly in equity					
Issue of shares from exercise of warrants	51	-	-	-	51
Total transactions with owners	51	-	-	-	51
At 30 June 2019	81,686	17,798	(2,354)	32,954	130,084

Note:

Capital reserve

Capital Reduction Reserve

<u>Group</u>	<u>Company</u>
\$'000	\$'000
17,798	17,798

The Capital Reduction Reserve shall not be treated or used by the Company as a distributable reserve for dividend purposes in accordance with Article 142 of the Articles of Association of the Company and the Companies Act, Chapter 50 of Singapore.

Notes to the Financial Statements

Notes to the Consolidated Statement of Profit or Loss

The Group is reporting its first quarter results for the period from 1 April 2019 to 30 June 2019 with comparative figures for the 3 months period from 1 April 2018 to 30 June 2018.

A Cost of sales

Group	
3 months ended	
30/06/2019	30/06/2018
\$'000	\$'000

Cost of sales includes the following items:

Depreciation of:		
- property, plant and equipment	5,716	5,666
- right-of-use assets ⁽¹⁾	492	-
Inventories written off	25	9
Property, plant and equipment written off	11	-
Provision for rectification costs	1,547	203

⁽¹⁾ Arising from adoption of SFRS(I) 16 Leases.

B Other income

Group	
3 months ended	
30/06/2019	30/06/2018
\$'000	\$'000

Other income includes the following items:

Gain on disposal of:		
- property, plant and equipment	110	667
- assets held for sale	259	-

C Administrative expenses

Group	
3 months ended	
30/06/2019	30/06/2018
\$'000	\$'000

Administrative expenses includes the following items:

Depreciation of:		
- property, plant and equipment	255	353
- right-of-use assets ⁽¹⁾	141	-
Exchange loss/(gain)	242	(13)

⁽¹⁾ Arising from adoption of SFRS(I) 16 Leases.

Notes to the Consolidated Statement of Profit or Loss (cont'd)

D Other operating expenses/(income)

	Group 3 months ended	
	30/06/2019	30/06/2018
	\$'000	\$'000
Other operating expenses/(income) includes the following items:		
Bad debts written back	-	(38)
Expected credit losses (reversed)/recognised on trade and other receivables and contract assets ⁽¹⁾	(142)	193
Impairment losses recognised/(reversed) on:		
- trade and other receivables and contract assets ⁽²⁾	239	(304)
- other investment	240	-
Write-down of plant and equipment	74	42

⁽¹⁾ Arising from application of SFRS(I) 9 *Financial Instruments* and is reviewed on a periodic basis.

⁽²⁾ The Group's accounts receivables position is reviewed on a periodic basis. Impairment losses are made where required, after assessing the probability of recovering the accounts receivables. These impairment losses do not relate to any major customers. Amounts written back are cash recovered from receivables previously impaired.

E Tax expense

	Group 3 months ended	
	30/06/2019	30/06/2018
	\$'000	\$'000
Current tax expense		
- current period	128	178
- over provided in prior years	(4)	(146)
	<u>124</u>	<u>32</u>
Deferred tax expense		
- current period	(56)	16
- under provided in prior years	275	134
	<u>219</u>	<u>150</u>
	<u><u>343</u></u>	<u><u>182</u></u>

Notes to the Consolidated Statement of Profit or Loss (cont'd)

F Interested person transactions

The Company had not obtained a shareholders' mandate for the interested person transactions under Chapter 9 of the Listing Manual.

Interested person transactions carried out during the 3 months ended 30 June 2019 under Chapter 9 of the Listing Manual are as follows:

Name of interested person	Aggregate value of all interested person transactions during the period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	3 months ended 30/06/2019 \$'000	3 months ended 30/06/2019 \$'000
Tat Hong HeavyEquipment (Pte.) Ltd ⁽¹⁾	443	Nil
Tat Hong Plant Leasing Pte Ltd ⁽¹⁾	385	Nil

Note:

⁽¹⁾ Tat Hong HeavyEquipment (Pte.) Ltd. and Tat Hong Plant Leasing Pte Ltd are related corporations of TH Investments Pte Ltd, a substantial shareholder of the Company.

Notes to the Statement of Financial Position

1 Property, plant and equipment

The movement in property, plant and equipment is as follows:

	Group	
	As at 30/06/2019 \$'000	As at 31/03/2019 \$'000
<u>Cost/Valuation</u>		
Opening balance	367,758	381,078
Additions	2,261	16,885
Reclassification from inventories	4,063	6,315
Revaluation	-	1,117
Elimination of accumulated depreciation against cost on revaluation	-	(1,521)
Transfer to inventories	(41)	(7,543)
Reclassification to assets held for sale	-	(23,080)
Disposals/Write-offs	(1,284)	(4,748)
Translation differences on consolidation	(257)	(745)
Closing balance	<u>372,500</u>	<u>367,758</u>
<u>Accumulated depreciation and impairment losses</u>		
Opening balance	230,657	224,857
Depreciation charge	5,971	24,154
Impairment loss	-	11
Elimination of accumulated depreciation against cost on revaluation	-	(1,521)
Transfer to inventories	(17)	(6,569)
Reclassification to assets held for sale	-	(6,821)
Disposals/Write-offs	(788)	(3,017)
Translation differences on consolidation	(285)	(437)
Closing balance	<u>235,538</u>	<u>230,657</u>
Carrying amount	<u>136,962</u>	<u>137,101</u>

2 Inventories

	Group	
	As at 30/06/2019 \$'000	As at 31/03/2019 \$'000
Equipment and machinery held for sale	17,720	16,120
Spare parts	10,197	10,307
Construction materials on sites	2,824	3,260
	<u>30,741</u>	<u>29,687</u>
Allowance for inventory obsolescence	-	-
	<u>30,741</u>	<u>29,687</u>

Notes to the Statement of Financial Position (cont'd)

3 Aggregate amount of Group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30/06/2019	
Secured	Unsecured
\$'000	\$'000
15,838	64,384

As at 31/03/2019	
Secured	Unsecured
\$'000	\$'000
14,151	71,162

Amount repayable after one year

As at 30/06/2019	
Secured	Unsecured
\$'000	\$'000
16,497	-

As at 31/03/2019	
Secured	Unsecured
\$'000	\$'000
17,392	-

Details of any collateral

The Group's total borrowings were \$96.7 million (31 March 2019: \$102.7 million) and consist of overdrafts, bills payable, finance leases and bank loans. Included in the borrowings repayable within one year were bills payable amounting to \$21.5 million (31 March 2019: \$31.3 million).

The borrowings are secured by legal mortgages over the Group's assets listed below and guaranteed by the Company, out of which \$14,303,000 (31 March 2019: \$15,148,000) are also guaranteed by a related corporation:

- a) \$22,085,000 (31 March 2019: \$20,750,000) in respect of plant and machinery acquired under finance leases;
- b) \$9,982,000 (31 March 2019: \$10,482,000) which are secured by a charge over the leasehold land and properties; and
- c) \$268,000 (31 March 2019: \$311,000) which are secured by a mortgage over the plant and machinery.

Notes to the Statement of Changes in Equity

1 Changes in the Company's Share Capital

As at 30 June 2019, the issued and fully paid-up share capital of the Company was 2,347,962,546 (31 March 2019: 2,342,882,546) ordinary shares. Movement in the Company's issued and fully paid-up share capital during the 3 months ended 30 June 2019 was as follows:

	Number of shares	\$'000
As at 1 April 2019	2,342,882,546	81,635
Exercise of warrants	5,080,000	51
As at 30 June 2019	<u>2,347,962,546</u>	<u>81,686</u>

The total number of ordinary shares issued (excluding treasury shares) as at 30 June 2019 was 2,327,442,546 (31 March 2019: 2,322,362,546) ordinary shares.

During the 3 months ended 30 June 2019, 5,080,000 warrants were exercised at \$0.01 each pursuant to the Rights cum Warrants Issue on 30 December 2015. As at 30 June 2019, there were outstanding warrants of 1,301,728,625 (30 June 2018: 1,418,163,625) for conversion into ordinary shares, representing 55.9% (30 June 2018: 64.1%) of the total number of ordinary shares issued (excluding treasury shares). 3,750,400 warrants were exercised at \$0.01 each subsequent to 30 June 2019, the details are set out in "Subsequent Event" note on page 26.

There were no share buybacks for the 3 months ended 30 June 2019. There were 20,520,000 shares held as treasury shares as at 30 June 2019 (30 June 2018: 20,520,000 shares), representing 0.9% (30 June 2018: 0.9%) of the total number of ordinary shares issued (excluding treasury shares). There were no sales, transfers, cancellation and/or use of treasury shares as at 30 June 2019.

There were no subsidiary holdings in the Company as at 30 June 2019. There were no sales, transfers, cancellation and/or use of subsidiary holdings as at 30 June 2019.

Audit

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

Accounting Policies

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 March 2019, except for the adoption of new/revised SFRS(I) applicable for the financial period beginning on 1 April 2019 as follows:

- SFRS(I) 16 *Leases*;
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*;
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*;
- Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*;
- Amendments to SFRS(I) 3 and SFRS(I) 11 *Previously Held Interest in a Joint Operation*;
- Amendments to SFRS(I) 1-12 *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*;
- Amendments to SFRS(I) 1-23 *Borrowing Costs Eligible for Capitalisation*; and
- Amendments to SFRS(I) 1-19 *Plan Amendment, Curtailment or Settlement*;

Accounting Policies (cont'd)

Based on management's initial assessment, the application of the above standards and interpretations does not have a significant impact on the financial statements, except for SFRS(I) 16.

SFRS(I) 16 Leases

SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group has adopted SFRS(I) 16 on 1 April 2019 (date of initial application), using the modified retrospective approach. The Group applied the practical expedient not to reassess whether a contract contains a lease on 1 April 2019. Accordingly, existing lease contracts that were still effective on 1 April 2019 continued to be accounted for as lease contracts under SFRS(I) 16. The ROU assets recognised on 1 April 2019 were equal to their lease liabilities.

The impact on the adoption of SFRS(I) 16 for the Group is summarised below:

Statement of financial position

	As at 01/04/2019 \$'000
<u>Assets</u>	
Increase in non-current right-of-use assets	9,218
Increase in current right-of-use assets	2,595
	<u>11,813</u>
<u>Liabilities</u>	
Increase in non-current lease liabilities	(9,421)
Increase in current lease liabilities	(2,392)
	<u>(11,813)</u>

Consolidated statement of profit or loss

	1st Quarter ended 30/06/2019 \$'000
Increase in depreciation of right-of-use assets	633
Decrease in operating lease expenses	(713)
Increase in finance expenses	141
	<u>141</u>

The above assessment on the adoption of SFRS(I) 16 is preliminary as not all transition work requirements have been finalised and therefore may be subject to adjustments.

Earnings/(Loss) Per Share

(a) Basic earnings/(loss) per ordinary share

	3 months ended	
	30/06/2019	30/06/2018
Based on the weighted average number of ordinary shares on issue	0.03 cents	(0.13) cents

	3 months ended	
	30/06/2019	30/06/2018
	\$'000	\$'000
Basic earnings/(loss) per ordinary share is based on: Net profit/(loss) attributable to ordinary shareholders	<u>742</u>	<u>(2,900)</u>

	3 months ended	
	30/06/2019	30/06/2018
Weighted average number of:		
Issued ordinary shares at beginning of the period	2,342,882,546	2,229,145,881
Issue of shares via exercise of warrants	3,440,000	602,564
Ordinary shares held as treasury shares	<u>(20,520,000)</u>	<u>(20,520,000)</u>
Weighted average number of ordinary shares used to compute earnings/(loss) per ordinary share	<u><u>2,325,802,546</u></u>	<u><u>2,209,228,445</u></u>

(b) Diluted earnings/(loss) per ordinary share

	3 months ended	
	30/06/2019	30/06/2018
On a fully diluted basis	0.03 cents	(0.13) cents

	3 months ended	
	30/06/2019	30/06/2018
	\$'000	\$'000
Diluted earnings/(loss) per ordinary share is based on: Net profit/(loss) attributable to ordinary shareholders	<u>742</u>	<u>(2,900)</u>

For the purpose of calculating the diluted earnings/(loss) per ordinary 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.

	3 months ended	
	30/06/2019	30/06/2018
Weighted average number of:		
Ordinary shares used in the calculation of basic earnings/(loss) per ordinary share	2,325,802,546	2,209,228,445
Potential ordinary shares issuable under exercise of warrants	<u>617,385,138</u>	*
Weighted average number of ordinary shares issued and potential shares assuming full conversion	<u><u>2,943,187,684</u></u>	<u><u>2,209,228,445</u></u>

* The Group was in a loss position for the period ended 30 June 2018, the warrants were not included in the computation of diluted loss per ordinary share as these potential ordinary shares were anti-dilutive.

Net Asset Value

	<u>As at 30/06/2019</u>	<u>As at 31/03/2019</u>
Group		
Net asset value per ordinary share based on issued share capital (excluding treasury shares) at the end of the period reported on	6.2 cents	6.1 cents
Company		
Net asset value per ordinary share based on issued share capital (excluding treasury shares) at the end of the period reported on	5.6 cents	5.6 cents

The net asset value per ordinary share is calculated based on net asset value of \$143.7 million (31 March 2019: \$142.4 million) over the total number of ordinary shares issued (excluding treasury shares) as at 30 June 2019 of 2,327,442,546 (31 March 2019: 2,322,362,546) ordinary shares.

Variance from Prospect Statement

The Group issued a Results Guidance Announcement on 24 July 2019 (the “Results Guidance Announcement”) in relation to the unaudited consolidated financial results of the Group for the first quarter ended 30 June 2019. The 1QFY20 unaudited profit is in line with the Results Guidance Announcement. Further explanations are elaborated in “Review of the Performance of the Group” on pages 3 to 7.

Dividend

No dividend has been declared/recommended in the current financial period and the corresponding period of the immediately preceding financial year, so as to conserve the Group’s cash position.

Confirmation

The directors of the Company confirm that to the best of their knowledge, nothing has come to their attention which may render the financial results for the period under review to be false or misleading in any material respect.

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

Subsequent Event

Subsequent to 30 June 2019, 3,750,400 warrants were exercised at \$0.01 each pursuant to the Rights cum Warrants Issue on 30 December 2015.

The movement in the Company’s outstanding warrants subsequent to 30 June 2019 till the latest practicable date, 31 July 2019, was as follows:

	Number of warrants
As at 1 July 2019	1,301,728,625
Exercise of warrants	(3,750,400)
As at 31 July 2019	<u>1,297,978,225</u>

Whitewash Waiver in relation to Rights Cum Warrants Issue

Capitalised terms used below, unless otherwise defined, shall have the same meanings as defined in the circular to shareholders of the Company dated 12 November 2015.

In connection with the Rights cum Warrants Issue that was undertaken by the Company, a Whitewash Waiver was granted on 12 October 2015 by the Securities Industry Council of Singapore whereby TH Investments Pte Ltd and its Concert Parties (comprising Tat Hong Investments Pte Ltd, Chwee Cheng & Sons Pte Ltd, Mr Ng Chwee Cheng, Chwee Cheng Trust, Mr Ng San Tiong Roland, Mr Ng Sun Ho Tony, Mr Ng San Wee David and Mr Ng Sun Giam Roger) ("Concert Party Group") are waived from the requirement to make a general offer made pursuant to Rule 14 of the Singapore Code on Takeovers and Mergers (the "Code") as a result of the subscription for their pro-rate entitlement of the Rights Shares and Warrants Shares arising from the exercise of pro-rata entitlement of the Warrants under the Rights cum Warrants Issue.

The following disclosure note is provided in connection with the requirements of Note 2 on Section 2 of Appendix 1 of the Code.

- (a) In the Extraordinary General Meeting held on 27 November 2015, the Independent Shareholders of the Company approved the Whitewash Resolution waiving their rights to receive a mandatory general offer from the Concert Party Group, for all the issued shares in the capital of the Company not already owned or controlled by them, as a result of the Concert Party Group's subscription of the Rights Shares and Warrants Shares arising from the exercise of the Warrants under the Rights cum Warrants Issue. The Whitewash Resolution is subject to the acquisition of the Warrant Shares by the Concert Party Group upon the exercise of the Warrants being completed by 29 December 2020 (inclusive), which is within five (5) years of the date of issue of the Warrants;
- (b) As at the latest practicable date, 31 July 2019, the Concert Party Group holds in aggregate:
 - (i) 1,190,618,407 Shares, representing approximately 51.07% of the voting rights in the Company; and
 - (ii) 248,232,605 Warrants, out of which 83,942,490 Warrants were pursuant to the Whitewash Waiver;
- (c) The maximum potential voting rights of the Concert Party Group in the Company, assuming that only the Concert Party Group (but not other shareholders) converts their Warrants in full is approximately 55.78% (based on the enlarged share capital of the Company of 2,579,425,551 Shares (excluding treasury shares) immediately following the allotment and issue of 248,232,605 Warrant Shares to the Concert Party Group);
- (d) Having approved the Whitewash Resolution on 27 November 2015, Shareholders have waived their rights to receive a general offer from Concert Party Group at the highest price paid by the Concert Party Group for the Shares in the past 6 months preceding the date of the acquisition of the Warrant Shares; and
- (e) Having approved the Whitewash Resolution on 27 November 2015, Shareholders could be foregoing an opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Warrants.

By Order of the Board

Lee Quang Loong
Chief Financial Officer / Company Secretary
7 August 2019