

Financial Statements and Related Announcement::Third Quarter Results

Issuer & Securities

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CSC HOLDINGS LIMITED

(Company Registration Number: 199707845E)

Financial Statements Announcement

for the Third Quarter Ended 31 December 2016

(For the Financial Year Ending 31 March 2017)

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Review of the Performance of the Group

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

3QFY17 – for the 3 months ended 31 December 2016

2QFY17 – for the 3 months ended 30 September 2016

3QFY16 – for the 3 months ended 31 December 2015

9MFY17 – for the 9 months ended 31 December 2016

9MFY16 – for the 9 months ended 31 December 2015

Review of Results for the Third Quarter Ended 31 December 2016

	3QFY17 \$'000	2QFY17 \$'000	Change %	3QFY16 \$'000	Change %	9MFY17 \$'000	9MFY16 \$'000	Change %
Revenue	55,893	62,505	(10.6)	98,963	(43.5)	187,507	317,042	(40.9)
Gross Profit	1,912	205	N.M.	7,838	(75.6)	4,119	22,563	(81.7)
Other Income	123	461	(73.3)	629	(80.4)	1,916	1,556	23.1
Operating Expenses	(5,876)	(6,587)	(10.8)	(7,448)	(21.1)	(19,038)	(22,076)	(13.8)
(Loss)/Profit from Operating Activities	(3,841)	(5,921)	(35.1)	1,019	N.M.	(13,003)	2,043	N.M.
Recovery of Legal and Other Costs as a result of an Arbitration Award received	-	-	N.A.	-	N.A.	-	906	N.A.
(Loss)/Profit from Operating Activities after Recovery of Costs	(3,841)	(5,921)	(35.1)	1,019	N.M.	(13,003)	2,949	N.M.
Net Finance Expenses	(635)	(731)	(13.1)	(496)	28.0	(2,303)	(1,686)	36.6
Interest Income Recognised as a result of an Arbitration Award received	-	-	N.A.	-	N.A.	-	337	N.A.
Share of Loss of a Joint Venture	(213)	(67)	N.M.	(98)	N.M.	(244)	(219)	11.4
(Loss)/Profit before Tax	(4,689)	(6,719)	(30.2)	425	N.M.	(15,550)	1,381	N.M.
Tax Expense	(897)	(847)	5.9	(258)	N.M.	(2,326)	(288)	N.M.
(Loss)/Profit for the period	(5,586)	(7,566)	(26.2)	167	N.M.	(17,876)	1,093	N.M.
EBITDA	2,458	823	N.M.	7,318	(66.4)	6,842	22,581	(69.7)

Gross Profit Margins	3.4%	0.3%	7.9%	2.2%	7.1%
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Revenue

Revenue for the Group was \$187.5 million for 9MFY17 (9MFY16: \$317.0 million) and \$55.9 million for 3QFY17 (3QFY16: \$99.0 million). Although the Group had secured a significant number of projects in 9MFY17, revenue recorded during the period and in 3QFY17 was substantially lower year-on-year in view of the delay in the commencement of several major projects and the corresponding delay in job delivery. Work on some of these projects has since commenced and revenue due is expected to be recorded in the ensuing quarters.

Gross Profit and Gross Profit Margins (GPM)

In line with the lower revenue recorded in 9MFY17 and 3QFY17, gross profit for 9MFY17 and 3QFY17 were lower at \$4.1 million (9MFY16: \$22.6 million) and \$1.9 million (3QFY16: \$7.8 million) respectively.

Quarter-on-quarter, gross profit for 3QFY17 registered an improvement from 2QFY17, reflecting the success of certain cost reduction measures implemented.

Other Income

The Group recorded other income of \$1.9 million for 9MFY17 (9MFY16: \$1.6 million), as a result of higher gains from the disposal of older equipment during the period under review. The Group has been actively trimming its costs by right-sizing its operations and disposing of aging and less efficient equipment.

Other income of \$0.1 million for 3QFY17 was lower compared to \$0.6 million and \$0.5 million in 3QFY16 and 2QFY17 respectively, in view of the lower gain from the disposal of older equipment and a decline in miscellaneous construction-related income in 3QFY17.

Operating Expenses

	3QFY17 \$'000	2QFY17 \$'000	Change %	3QFY16 \$'000	Change %	9MFY17 \$'000	9MFY16 \$'000	Change %
Other Operating Expenses	6,116	6,423	(4.8)	7,103	(13.9)	19,160	21,027	(8.9)
Impairment Losses (Reversed)/ Recognised on Trade and Other Receivables	(29)	3	N.M.	339	N.M.	(67)	804	N.M.
Exchange (Gain)/Loss	(211)	161	N.M.	6	N.M.	(55)	245	N.M.
	5,876	6,587	(10.8)	7,448	(21.1)	19,038	22,076	(13.8)
Recovery of Legal and Other Costs as a result of an Arbitration Award received	-	-	N.A.	-	N.A.	-	(906)	N.A.
Net Operating Expenses	5,876	6,587	(10.8)	7,448	(21.1)	19,038	21,170	(10.1)
Other Operating Expenses /Revenue	10.9%	10.3%		7.2%		10.2%	6.6%	

Other operating expenses for 9MFY17 decreased by 8.9% to \$19.2 million compared to \$21.0 million in 9MFY16. Other operating expenses for 3QFY17 of \$6.1 million was lower as compared to the \$7.1 million and \$6.4 million recorded in 3QFY16 and 2QFY17 respectively.

Other operating expenses to revenue ratio for 9MFY17 and 3QFY17 were 10.2% (9MFY16: 6.6%) and 10.9% (3QFY16: 7.2%, 2QFY17: 10.3%) respectively. While the Group's overheads had been reduced significantly, the ratios were higher in view of the lower revenues recorded during the periods under review.

Net Finance Expenses

	3QFY17 \$'000	2QFY17 \$'000	Change %	3QFY16 \$'000	Change %	9MFY17 \$'000	9MFY16 \$'000	Change %
Interest Income	44	44	-	20	N.M.	156	195	(20.0)
Interest Expenses	(830)	(746)	11.3	(845)	(1.8)	(2,370)	(2,512)	(5.7)
Net Interest Expenses	(786)	(702)	12.0	(825)	(4.7)	(2,214)	(2,317)	(4.4)
Imputed Interest on Non- Current Assets	151	(29)	N.M.	329	(54.1)	(89)	631	N.M.
Net Finance Expenses	(635)	(731)	(13.1)	(496)	28.0	(2,303)	(1,686)	36.6
Interest Income Recognised as a result of an Arbitration Award received	-	-	N.A.	-	N.A.	-	337	N.A.
	(635)	(731)	(13.1)	(496)	28.0	(2,303)	(1,349)	70.7

Net interest expenses was \$2.2 million for 9MFY17 (9MFY16: \$2.3 million) and \$0.8 million for 3QFY17 (3QFY16: \$0.8 million). The decline was the result of the Group's on-going effort to reduce the amount of bank borrowings utilised during the periods under review.

Net interest expenses for 3QFY17 was comparable to 2QFY17.

(Loss)/Profit for the period

Earnings before interest, tax, depreciation and amortization (EBITDA) for 9MFY17 and 3QFY17 were \$6.8 million (9MFY16: \$22.6 million) and \$2.5 million (3QFY16: \$7.3 million) respectively.

Taking into account the factors above, the Group recorded a net loss of \$17.9 million for 9MFY17 (9MFY16: net profit of \$1.1 million) and \$5.6 million for 3QFY17 (3QFY16: net profit of \$0.2 million) respectively.

Loss per share for 9MFY17 and 3QFY17 were 0.89 cent and 0.30 cent, compared to earnings per share of 0.04 cent and 0.0004 cent for 9MFY16 and 3QFY16 respectively.

STATEMENT OF FINANCIAL POSITION

Property, Plant and Equipment

Net book value of property, plant and equipment as at 31 December 2016 was \$159.2 million (31 March 2016: \$167.9 million). In 9MFY17, the Group acquired \$9.1 million worth of new plant and equipment to replace older equipment, and capitalised \$4.1 million of construction costs for its new Tuas Yard, which has been completed as at 31 December 2016. The Group disposed of older plant and equipment with carrying values of \$1.8 million and recorded a \$1.4 million gain on the disposal. Total depreciation for 9MFY17 was \$20.1 million (9MFY16: \$19.9 million).

Net Current Assets

As at 31 December 2016, net current assets stood at \$22.5 million (31 March 2016: \$36.6 million) while current ratio (current assets / current liabilities) was 1.13 (31 March 2016: 1.20).

The Group recorded inventories of \$26.9 million as at 31 December 2016 (31 March 2016: \$24.4 million).

Trade and other receivables were \$145.0 million (31 March 2016: \$166.0 million) while Trade and other payables were \$83.8 million (31 March 2016: \$95.0 million), in line with the lower level of business activities.

Borrowings

As at 31 December 2016, total borrowings of the Group was \$97.2 million (31 March 2016: \$98.4 million), as a result of the net repayment of debts in 9MFY17.

Debt to equity ratio as at 31 December 2016 was 0.58 (31 March 2016: 0.53).

Equity and Net Asset Value

Total equity stood at \$166.4 million as at 31 December 2016 (31 March 2016: \$185.3 million), while net asset value per ordinary share was 7.6 cents (31 March 2016: 8.5 cents).

The Group's foreign currency translation reserve as at 31 December 2016 declined, in view of the strengthening of the Singapore Dollar against the Malaysian Ringgit.

CASH FLOW

	3QFY17 \$'000	2QFY17 \$'000	Change %	3QFY16 \$'000	Change %	9MFY17 \$'000	9MFY16 \$'000	Change %
Cash Flow from Operating Activities	3,950	13,251	70.2	11,561	(65.8)	9,540	29,653	67.8
Cash Flow from Investing Activities	(4,541)	(2,914)	(55.8)	(1,652)	N.M.	(9,010)	(5,706)	(57.9)
Cash Flow from Financing Activities	(3,287)	(8,757)	62.5	2,276	N.M.	(12,130)	(17,481)	30.6
Cash and Cash Equivalents	13,906	17,910	22.4	24,084	(42.3)	13,906	24,084	(42.3)

Cash Flow from Operating Activities

Net cash inflow from operating activities was \$9.5 million for 9MFY17 (9MFY16: \$29.7 million) and \$4.0 million for 3QFY17 (3QFY16: \$11.6 million, 2QFY17: \$13.3 million).

Cash Flow from Investing Activities

The Group recorded higher net cash outflow from investing activities of \$9.0 million for 9MFY17 (9MFY16: \$5.7 million) and \$4.5 million for 3QFY17 (3QFY16: \$1.7 million, 2QFY17: \$2.9 million), taking into account the net investment in equipment and the construction of the new Tuas Yard for its operations.

In addition, the Group invested a total of \$1.7 million in the proposed development of commercial properties for sale in Seremban, Negeri Sembilan, Malaysia through a joint venture and a proposed property development in Hertford, United Kingdom in 9MFY17.

Cash Flow from Financing Activities

The Group's net cash outflow from financing activities was \$12.1 million for 9MFY17 (9MFY16: \$27.3 million*) and \$3.3 million for 3QFY17 (3QFY16: \$7.5 million*, 2QFY17: \$8.8 million), following the net repayment of bank borrowings during the periods under review.

* Excluding the \$9.8 million in net proceeds raised from the Rights-cum-Warrants Issue on 30 December 2015.

Cash and Cash Equivalents

Taking into consideration the abovementioned factors, the Group recorded cash and cash equivalents of \$13.9 million as at 31 December 2016 (31 December 2015: \$24.1 million; 30 September 2016: \$17.9 million).

Outlook

The Building Construction Authority of Singapore has projected construction demand for 2017 to range between \$28 billion to \$35 billion, with approximately 70% to be contributed by public infrastructure sector. Specifically, activities driving this demand are expected to be civil engineering works in conjunction with the construction of the new mass rapid transit (“MRT”) lines and stations as well as industrial projects including HDB’s Defu Industrial City and JTC’s Logistics Hub @ Gul. Private sector demand for construction services is expected to remain tepid.

As announced on 30 September 2016, the Group has secured contracts amounting to approximately \$178 million for 1HFY17, which includes several foundation contracts for three MRT stations along the East Coast Stretch of the Thomson East Coast Line. The Group has commenced work on these MRT projects in December 2016.

Competition in the foundation engineering sector remains intense and margins continue to be tight. The Group has thus been working at right-sizing its operations in an effort to reduce costs while increasing productivity. In the quarters ahead, it will continue to focus on optimising its asset utilisation even as it proactively seeks to build up its order book.

The Group has obtained the Temporary Occupation Permit for the new Tuas Yard in December 2016 and has started to move its operations there. In this connection, the Group will relinquish some of the yard spaces rented from third parties and this should lead to further reduction in operating costs.

As at 10 February 2017, the Group’s order book stood at approximately \$190 million (7 November 2016: \$190 million).

Consolidated Statement of Profit or Loss for the 3rd Quarter ended 31 December 2016

	Note	Group			Group		
		3rd Quarter ended		Change	9 months ended		Change
		31-Dec-16	31-Dec-15		31-Dec-16	31-Dec-15	
		\$'000	\$'000	%	\$'000	\$'000	%
Revenue		55,893	98,963	(43.5)	187,507	317,042	(40.9)
Cost of sales	A	(53,981)	(91,125)	(40.8)	(183,388)	(294,479)	(37.7)
Gross profit		1,912	7,838	(75.6)	4,119	22,563	(81.7)
Other income	B	123	629	(80.4)	1,916	1,556	23.1
Distribution expenses		(89)	(247)	(64.0)	(445)	(546)	(18.5)
Administrative expenses	C	(5,799)	(6,849)	(15.3)	(18,561)	(20,632)	(10.0)
Other operating income/(expenses)	D	12	(352)	N.M.	(32)	(898)	(96.4)
Recovery of legal and other costs as a result of an arbitration award received	E	-	-	N.A.	-	906	N.A.
Results from operating activities		(3,841)	1,019	N.M.	(13,003)	2,949	N.M.
Finance income		195	349	(44.1)	156	826	(81.1)
Finance expenses		(830)	(845)	(1.8)	(2,459)	(2,512)	(2.1)
Interest income recognised as a result of an arbitration award received	E	-	-	N.A.	-	337	N.A.
Net finance expenses		(635)	(496)	28.0	(2,303)	(1,349)	70.7
Share of loss of a joint venture (net of tax)		(213)	(98)	N.M.	(244)	(219)	11.4
(Loss)/Profit before tax		(4,689)	425	N.M.	(15,550)	1,381	N.M.
Tax expense	F	(897)	(258)	N.M.	(2,326)	(288)	N.M.
(Loss)/Profit for the period		(5,586)	167	N.M.	(17,876)	1,093	N.M.
Attributable to:							
Owners of the Company		(6,628)	5	N.M.	(19,428)	459	N.M.
Non-controlling interests		1,042	162	N.M.	1,552	634	N.M.
(Loss)/Profit for the period		(5,586)	167	N.M.	(17,876)	1,093	N.M.

Gross profit margin	3.4%	7.9%	2.2%	7.1%
Net (loss)/profit margin	-10.0%	0.2%	-9.5%	0.3%

Consolidated Statement of Comprehensive Income for the 3rd Quarter ended 31 December 2016

	Group			Group		
	3rd Quarter ended		Change	9 months ended		Change
	31-Dec-16	31-Dec-15		31-Dec-16	31-Dec-15	
	\$'000	\$'000	%	\$'000	\$'000	%
(Loss)/Profit for the period	(5,586)	167	N.M.	(17,876)	1,093	N.M.
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss:						
Translation differences relating to financial statements of foreign subsidiaries, an associate and a joint venture	(246)	913	N.M.	(983)	(4,394)	(77.6)
Other comprehensive income for the period, net of tax	(246)	913	N.M.	(983)	(4,394)	(77.6)
Total comprehensive income for the period	(5,832)	1,080	N.M.	(18,859)	(3,301)	N.M.
Attributable to:						
Owners of the Company	(6,924)	914	N.M.	(20,449)	(3,658)	N.M.
Non-controlling interests	1,092	166	N.M.	1,590	357	N.M.
Total comprehensive income for the period	(5,832)	1,080	N.M.	(18,859)	(3,301)	N.M.

Statement of Financial Position as at 31 December 2016

DESCRIPTION	Note	Group		Company	
		31-Dec-16	31-Mar-16	31-Dec-16	31-Mar-16
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	1	159,183	167,912	33	40
Intangible assets		1,452	1,452	-	-
Investments in:					
- subsidiaries		-	-	112,592	106,367
- an associate		904	-	-	-
- joint ventures		1,900	1,342	-	-
Other investment		873	855	-	-
Trade and other receivables		6,198	6,593	-	-
Deferred tax assets		-	154	22	22
		170,510	178,308	112,647	106,429
Current assets					
Inventories	2	26,946	24,353	-	-
Derivatives		49	-	-	-
Trade and other receivables		144,989	165,962	27,208	25,157
Cash and cash equivalents		24,329	31,568	1,166	5,962
		196,313	221,883	28,374	31,119
Total assets		366,823	400,191	141,021	137,548

Statement of Financial Position as at 31 December 2016 (cont'd)

DESCRIPTION	Note	Group		Company	
		31-Dec-16	31-Mar-16	31-Dec-16	31-Mar-16
		\$'000	\$'000	\$'000	\$'000
Equity attributable to owners of the Company					
Share capital		80,292	80,289	80,292	80,289
Reserves		59,146	79,595	49,058	47,516
		139,438	159,884	129,350	127,805
Non-controlling interests		26,954	25,454	-	-
Total equity		166,392	185,338	129,350	127,805
Non-current liabilities					
Loans and borrowings		24,952	28,458	28	36
Deferred tax liabilities		1,642	1,096	-	-
		26,594	29,554	28	36
Current liabilities					
Loans and borrowings		72,254	69,945	552	104
Derivatives		-	69	-	-
Trade and other payables		83,797	94,951	10,987	9,523
Excess of progress billings over construction work-in-progress	3	186	186	-	-
Provisions		16,009	18,798	-	-
Current tax payable		1,591	1,350	104	80
		173,837	185,299	11,643	9,707
Total liabilities		200,431	214,853	11,671	9,743
Total equity and liabilities		366,823	400,191	141,021	137,548

Consolidated Statement of Cash Flows for the 3rd Quarter ended 31 December 2016

	3rd Quarter ended		9 months ended	
	<u>31-Dec-16</u>	<u>31-Dec-15</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
(Loss)/Profit for the period	(5,586)	167	(17,876)	1,093
Adjustments for:				
Allowance for foreseeable losses reversed on construction work-in-progress	-	(550)	-	(316)
Bad debts written (back)/off	(7)	-	2	1
Depreciation of property, plant and equipment	6,512	6,397	20,089	19,851
Gain on disposal of property, plant and equipment	(174)	(231)	(1,356)	(589)
Impairment losses (reversed)/recognised on trade and other receivables	(29)	339	(67)	804
Inventories written down	-	7	-	7
Net finance expenses	635	496	2,303	1,349
Property, plant and equipment written off	-	-	-	12
Provision for liquidated damages	7	1,212	876	2,187
Provision (reversed)/made for rectification costs	(20)	1,538	(28)	3,883
Share of loss of a joint venture (net of tax)	213	98	244	219
Tax expense	897	258	2,326	288
Operating activities before working capital changes	2,448	9,731	6,513	28,789
Changes in working capital:				
Inventories	58	710	(2,897)	2,928
Trade and other receivables	8,537	138	18,840	17,793
Trade and other payables	(6,379)	1,365	(11,752)	(19,438)
Cash generated from operations	4,664	11,944	10,704	30,072
Taxes paid	(758)	(403)	(1,320)	(951)
Interest received	44	20	156	532
Net cash generated from operating activities	3,950	11,561	9,540	29,653

Consolidated Statement of Cash Flows for the 3rd Quarter ended 31 December 2016 (cont'd)

	3rd Quarter ended		9 months ended	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	\$'000	\$'000	\$'000	\$'000
Cash flows from investing activities				
Purchase of property, plant and equipment	(4,923)	(2,076)	(10,887)	(7,750)
Proceeds from disposal of property, plant and equipment	382	424	3,530	2,771
Acquisition of:				
- non-controlling interests	-	-	-	(727)
Investments in:				
- an associate	-	-	(904)	-
- a joint venture	-	-	(749)	-
Net cash used in investing activities	(4,541)	(1,652)	(9,010)	(5,706)
Cash flows from financing activities				
Interest paid	(829)	(839)	(2,374)	(2,501)
Dividend paid:				
- non-controlling interests of a subsidiary	(90)	(90)	(90)	(90)
Proceeds from:				
- bank loans	8,385	4,451	25,830	27,650
- bills payable	9,886	13,301	27,733	40,396
- issue of shares from rights issue, net of expenses	-	9,817	-	9,817
- issue of shares from exercise of warrants, net of expenses	3	-	3	-
Repayment of:				
- bank loans	(4,937)	(4,786)	(16,830)	(33,263)
- bills payable	(11,432)	(14,102)	(32,361)	(42,274)
- finance lease liabilities	(4,273)	(5,476)	(13,041)	(17,216)
Increase in fixed deposits pledged	-	-	(1,000)	-
Net cash (used in)/generated from financing activities	(3,287)	2,276	(12,130)	(17,481)
Net (decrease)/increase in cash and cash equivalents	(3,878)	12,185	(11,600)	6,466
Cash and cash equivalents at 1 September/1 April	17,910	11,868	25,935	18,295
Effect of exchange rate changes on balances held in foreign currencies	(126)	31	(429)	(677)
Cash and cash equivalents at 31 December	13,906	24,084	13,906	24,084
Comprising:				
Cash and cash equivalents	24,329	30,378	24,329	30,378
Bank overdrafts	(9,423)	(6,294)	(9,423)	(6,294)
	14,906	24,084	14,906	24,084
Less:				
Fixed deposits pledged as security for bank facilities	(1,000)	-	(1,000)	-
Cash and cash equivalents in the consolidated cash flow statement	13,906	24,084	13,906	24,084

Statements of Changes in Equity for the 3rd Quarter ended 31 December 2016

<u>Group</u>	Share capital	Capital reserve	Reserve for own shares	Reserve on consolidation	Foreign currency translation reserve	Other reserve	Accumulated profits	Total attributable to owners of the Company	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 October 2015	64,953	17,798	(2,354)	116	(7,969)	(923)	78,126	149,747	24,910	174,657
Total comprehensive income for the period										
Profit or loss	-	-	-	-	-	-	5	5	162	167
Other comprehensive income										
Translation differences relating to financial statements of foreign subsidiaries, an associate and a joint venture	-	-	-	-	909	-	-	909	4	913
Total other comprehensive income	-	-	-	-	909	-	-	909	4	913
Total comprehensive income for the period	-	-	-	-	909	-	5	914	166	1,080
Transactions with owners of the Company, recorded directly in equity										
Issue of shares from rights issue	10,081	-	-	-	-	-	-	10,081	-	10,081
Share issuance expenses	(493)	-	-	-	-	-	-	(493)	-	(493)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(90)	(90)
Total transactions with owners	9,588	-	-	-	-	-	-	9,588	(90)	9,498
At 31 December 2015	74,541	17,798	(2,354)	116	(7,060)	(923)	78,131	160,249	24,986	185,235
At 1 October 2016	80,289	17,798	(2,354)	116	(6,610)	(881)	58,001	146,359	25,952	172,311
Total comprehensive income for the period										
Profit or loss	-	-	-	-	-	-	(6,628)	(6,628)	1,042	(5,586)
Other comprehensive income										
Translation differences relating to financial statements of foreign subsidiaries and a joint venture	-	-	-	-	(296)	-	-	(296)	50	(246)
Total other comprehensive income	-	-	-	-	(296)	-	-	(296)	50	(246)
Total comprehensive income for the period	-	-	-	-	(296)	-	(6,628)	(6,924)	1,092	(5,832)
Transactions with owners of the Company, recorded directly in equity										
Issue of shares from exercise of warrants	3	-	-	-	-	-	-	3	-	3
Total transactions with owners	3	-	-	-	-	-	-	3	(90)	(87)
At 31 December 2016	80,292	17,798	(2,354)	116	(6,906)	(881)	51,373	139,438	26,954	166,392

Statements of Changes in Equity for the 3rd Quarter ended 31 December 2016 (cont'd)

<u>Company</u>	Share capital	Capital reserve	Reserve for own shares	Accumulated profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 October 2015	64,953	17,798	(2,354)	30,291	110,688
Total comprehensive income for the period	-	-	-	620	620
Transactions with owners of the Company, recorded directly in equity					
Issue of shares from rights issue	10,081	-	-	-	10,081
Share issuance expenses	(493)	-	-	-	(493)
Total transactions with owners	9,588	-	-	-	9,588
At 31 December 2015	74,541	17,798	(2,354)	30,911	120,896
At 1 October 2016	80,289	17,798	(2,354)	32,747	128,480
Total comprehensive income for the period	-	-	-	867	867
Transactions with owners of the Company, recorded directly in equity					
Issue of shares from exercise of warrants	3	-	-	-	3
Total transactions with owners	3	-	-	-	3
At 31 December 2016	80,292	17,798	(2,354)	33,614	129,350

Note:

Capital reserve

	<u>Group</u> \$'000	<u>Company</u> \$'000
Capital Reduction Reserve	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 third quarter results for the period from 1 October 2016 to 31 December 2016 with comparative figures for the 3 months period from 1 October 2015 to 31 December 2015.

A Cost of sales

Group			
3rd Quarter ended		9 months ended	
31/12/2016	31/12/2015	31/12/2016	31/12/2015
\$'000	\$'000	\$'000	\$'000

Cost of sales includes the following items:

Allowance for foreseeable losses reversed on construction work-in-progress	-	(550)	-	(316)
Depreciation of property, plant and equipment	6,331	6,216	19,533	19,299
Inventories written down	-	7	-	7
Property, plant and equipment written off	-	-	-	12
Provision for liquidated damages	7	1,212	876	2,187
Provision (reversed)/made for rectification costs	(20)	1,538	(28)	3,883

B Other income

Group			
3rd Quarter ended		9 months ended	
31/12/2016	31/12/2015	31/12/2016	31/12/2015
\$'000	\$'000	\$'000	\$'000

Other income includes the following item:

Gain on disposal of property, plant and equipment	174	231	1,356	589
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C Administrative expenses

Group			
3rd Quarter ended		9 months ended	
31/12/2016	31/12/2015	31/12/2016	31/12/2015
\$'000	\$'000	\$'000	\$'000

Administrative expenses includes the following items:

Depreciation of property, plant and equipment	181	181	556	552
Exchange (gain)/loss	(211)	6	(55)	245

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

D Other operating (income)/expenses

	Group			
	3rd Quarter ended		9 months ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	\$'000	\$'000	\$'000	\$'000
Other operating (income)/expenses includes the following items:				
Bad debts written (back)/off	(7)	-	2	1
Impairment losses (reversed)/recognised on trade and other receivables ⁽¹⁾	(29)	339	(67)	804

⁽¹⁾ 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 Recovery of costs as a result of an arbitration award received

With reference to the Group's announcement dated 24 August 2015, the Group had received a favourable arbitration award pursuant to an arbitration proceeding against a third party. As a result of the arbitration proceedings, the following adjustments were recognised in the consolidated statement of profit or loss for the second quarter ended 30 September 2015:

	\$'000
i) Recovery of legal and other costs	906
ii) Interest income on late payment	337
	<u>1,243</u>

F Tax expense

	Group			
	3rd Quarter ended		9 months ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	\$'000	\$'000	\$'000	\$'000
Current tax expense/(credit)				
- current period	787	414	1,960	994
- under/(over) provided in prior years	1	(399)	(342)	(1,044)
	<u>788</u>	<u>15</u>	<u>1,618</u>	<u>(50)</u>
Deferred tax expense				
- current period	105	112	213	114
- under provided in prior years	4	131	495	224
	<u>109</u>	<u>243</u>	<u>708</u>	<u>338</u>
	<u>897</u>	<u>258</u>	<u>2,326</u>	<u>288</u>

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

G Interested person transactions

The Company had not obtained a shareholders' mandate for interested person transactions under Chapter 9 of the Listing Manual for the period after 26 July 2016.

Interested person transactions carried out during the 3rd quarter ended 31 December 2016 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)	
	3rd Quarter ended 31/12/2016	9 months ended 31/12/2016	3rd Quarter ended 31/12/2016	9 months ended 31/12/2016
	\$'000	\$'000	\$'000	\$'000
Tat Hong HeavyEquipment (Pte.) Ltd. ⁽¹⁾	1,532	1,958	Nil	1,207
TOP3 Development Sdn. Bhd. ("TOP3") ⁽²⁾	Nil	749	Nil	Nil

Note:

⁽¹⁾ Tat Hong HeavyEquipment (Pte.) Ltd. is a related corporation of TH Investments Pte Ltd, a substantial shareholder of the Company.

⁽²⁾ With reference to the Group's announcements on 20 May 2016 and 23 June 2016, the Group entered into a Shareholders' Agreement ("SHA") with Triplestar Properties Sdn Bhd and Zillion Holding Sdn Bhd in relation to TOP3 Development Sdn. Bhd. ("TOP3"), to jointly undertake a proposed commercial development in Seremban, Negeri Sembilan, Malaysia.

Pursuant to the SHA, the Group subscribed for shares equivalent to 40% of the share capital of TOP3 for approximately \$0.7 million and granted a partial initial shareholder's loan of approximately \$0.1 million to TOP3 during the first quarter ended 30 June 2016.

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 31/12/2016 \$'000	As at 31/03/2016 \$'000
<u>Cost</u>		
Opening balance	369,373	371,841
Additions	13,194	12,414
Reclassification from inventories	574	2,872
Transfer to inventories	(901)	(8,706)
Disposals/Write-offs	(6,170)	(4,955)
Translation differences on consolidation	(1,440)	(4,093)
Closing balance	<u>374,630</u>	<u>369,373</u>
<u>Accumulated depreciation and impairment losses</u>		
Opening balance	201,461	186,224
Depreciation charge	20,089	26,473
Transfer to inventories	(626)	(6,428)
Disposals/Write-offs	(4,326)	(3,390)
Translation differences on consolidation	(1,151)	(1,418)
Closing balance	<u>215,447</u>	<u>201,461</u>
Carrying amount	<u>159,183</u>	<u>167,912</u>

2 Inventories

	Group	
	As at 31/12/2016 \$'000	As at 31/03/2016 \$'000
Equipment and machinery held for sale	14,381	12,273
Spare parts	10,835	10,354
Construction materials on sites	1,730	1,749
	<u>26,946</u>	<u>24,376</u>
Allowance for inventory obsolescence	-	(23)
	<u>26,946</u>	<u>24,353</u>

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

3 Excess of progress billings over construction work-in-progress

	Group	
	As at 31/12/2016 \$'000	As at 31/03/2016 \$'000
Costs incurred and attributable profits	356,215	439,955
Progress billings	(253,714)	(324,149)
	<u>102,501</u>	<u>115,806</u>
Progress billings in excess of construction work-in-progress	(186)	(186)
Amount due from customers for contract works ⁽¹⁾	102,687	115,992
	<u>102,501</u>	<u>115,806</u>

⁽¹⁾ Included in trade and other receivables under current assets of statement of financial position.

4 Aggregate amount of Group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31/12/2016	
Secured	Unsecured
\$'000	\$'000
15,083	57,171

As at 31/03/2016	
Secured	Unsecured
\$'000	\$'000
18,367	51,578

Amount repayable after one year

As at 31/12/2016	
Secured	Unsecured
\$'000	\$'000
24,250	702

As at 31/03/2016	
Secured	Unsecured
\$'000	\$'000
26,706	1,752

Details of any collateral

The Group's total borrowings were \$97.2 million (31 March 2016: \$98.4 million) and consist of finance leases and bank loans. Included in the borrowings repayable within one year were bills payable amounting to \$7.3 million (31 March 2016: \$12.0 million).

The overdrafts, bills payable, finance lease liabilities and bank loan facilities are secured by legal mortgages over the Group's assets listed below and guaranteed by the Company. Out of which \$13,100,000 (31 March 2016: \$14,706,000) are also guaranteed by a related corporation:

- a) \$24,790,000 (31 March 2016: \$34,057,000) in respect of plant and machinery acquired under finance leases. Out of which \$2,137,000 (31 March 2016: \$Nil) are also secured by a charge over the fixed deposits of the Company;
- b) \$13,907,000 (31 March 2016: \$10,050,000) which are secured by a charge over the leasehold land and properties; and
- c) \$636,000 (31 March 2016: \$966,000) 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 31 December 2016, the issued and fully paid-up share capital of the Company was 2,208,589,581 (31 March 2016: 2,208,294,581) ordinary shares. Movement in the Company's issued and fully paid-up share capital during the 3 months ended 31 December 2016 was as follows:

	Number of shares	\$'000
As at 1 October 2016	2,208,294,581	80,289
Exercise of warrants	295,000	3
As at 31 December 2016	<u>2,208,589,581</u>	<u>80,292</u>

On 24 October 2016, 295,000 warrants were exercised at \$0.01 each pursuant to the Rights cum Warrants Issue on 30 December 2015. As at 31 December 2016, there were outstanding warrants of 1,441,101,590 (31 December 2015: 2,016,206,205) for conversion into ordinary shares.

There were no share buybacks for the 3 months ended 31 December 2016. There were 20,520,000 shares held as treasury shares as at 31 December 2016 (31 December 2015: 20,520,000 shares). There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the 3 months ended 31 December 2016.

The total number of ordinary shares issued (excluding treasury shares) as at 31 December 2016 was 2,188,069,581 (31 March 2016: 2,187,774,581) ordinary shares.

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 2016, except for the adoption of accounting standards (including its consequential amendments) and interpretations applicable for the financial period beginning on or after 1 April 2016.

Financial Reporting Standards (FRS) which became effective for the Group's financial year beginning 1 April 2016 are as follows:

Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets*
Amendments to FRS 27 *Separate Financial Statements*
Amendments to FRS 111 *Joint Arrangements*
Amendments to FRS 1 *Presentation of Financial Statements*
Amendments to FRS 110 *Consolidated Financial Statements*, FRS 112 *Disclosure of Interests in Other Entities* and FRS 28 *Investments in Associates and Joint Ventures*

The adoption of the above FRS does not expect any significant impact on the Group's financial position or performance.

Comparative Information

During the 9 months ended 31 December 2016, the Company modified the classification of certain assets to reflect more appropriately the nature of these assets. Comparative amounts in the Company's statement of financial position were restated for consistency.

	As previously reported \$'000	Amount reclassified \$'000	As restated \$'000
Company			
Statement of financial position			
<i>Non-current assets</i>			
Investment in subsidiaries	94,419	11,948	106,367
<i>Current assets</i>			
Trade and other receivables	37,105	(11,948)	25,157

This reclassification does not have any material effect on the Group or the Company's statements of financial position.

(Loss)/Earnings Per Share

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

	3rd Quarter ended		9 months ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Based on the weighted average number of ordinary shares on issue	(0.30) cents	0.0004 cents	(0.89) cents	0.04 cents
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	\$'000	\$'000	\$'000	\$'000
Basic (loss)/earnings per ordinary share is based on:				
Net (loss)/profit attributable to ordinary shareholders	(6,628)	5	(19,428)	459
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	Number of shares			
Weighted average number of:				
Issued ordinary shares at beginning of the period	2,208,294,581	1,230,243,725	2,208,294,581	1,230,243,725
Rights issue of shares	-	8,766,114	-	2,932,664
Issue of shares via exercise of warrants	221,250	-	74,018	-
Ordinary shares held as treasury shares	(20,520,000)	(20,520,000)	(20,520,000)	(20,520,000)
Weighted average number of ordinary shares used to compute earnings per ordinary share	2,187,995,831	1,218,489,839	2,187,848,599	1,212,656,389

(Loss)/Earnings Per Share (cont'd)

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

	3rd Quarter ended		9 months ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
On a fully diluted basis	(0.30) cents	0.0004 cents	(0.89) cents	0.04 cents
	3rd Quarter ended		9 months ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	\$'000	\$'000	\$'000	\$'000
Diluted (loss)/earnings per ordinary share is based on:				
Net (loss)/profit attributable to ordinary shareholders	(6,628)	5	(19,428)	459

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

The weighted average number of ordinary shares in issue is as follows:

	3rd Quarter ended		9 months ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	Number of shares			
Weighted average number of:				
Ordinary shares used in the calculation of basic (loss)/earnings per ordinary share	2,187,995,831	1,218,489,839	2,187,848,599	1,212,656,389
Potential ordinary shares issuable under exercise of warrants	*	30,939,226	*	10,350,577
Weighted average number of ordinary issued and potential shares assuming full conversion	2,187,995,831	1,249,429,065	2,187,848,599	1,223,006,966

* The Group was in a loss position for the periods under review, 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

	As at 31/12/2016	As at 31/03/2016
Group		
Net asset value per ordinary share based on issued share capital (excluding treasury shares) at the end of the period reported on	7.6 cents	8.5 cents
Company		
Net asset value per ordinary share based on issued share capital (excluding treasury shares) at the end of the period reported on	5.9 cents	5.8 cents

The net asset value per ordinary share is calculated based on net asset value of \$166.4 million (31 March 2016: \$185.3 million) over the total number of ordinary shares issued (excluding treasury shares) as at 31 December 2016 of 2,188,069,581 (31 March 2016: 2,187,774,581) ordinary shares.

Variance from Prospect Statement

No forecast or prospect statement has been disclosed to shareholders.

Dividend

No dividend has been declared/recommended in the current financial period and the corresponding period of the immediately preceding financial year.

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).

Use of Proceeds raised from IPO and any offerings pursuant to Chapter 8

With reference to the Group's announcement dated 10 November 2016, as at 10 February 2017, the update on the utilisation of the net proceeds raised from the Rights cum Warrants Issue on 30 December 2015 is as follows:

Intended use of net proceeds	Amount allocated \$'million	Amount utilised \$'million	Balance \$'million
Financing of new Tuas Yard to be constructed and its related equipment expenditures	5.5 to 7.0	5.2	0.3
Working capital purposes	2.6 to 4.1	4.1 ⁽²⁾	-
	<u>9.6⁽¹⁾</u>	<u>9.3</u>	<u>0.3</u>

⁽¹⁾ Net proceeds raised from the Rights cum Warrants Issue revised to \$9.6 million from \$9.8 million after deducting actual costs and expenses of \$0.5 million.

⁽²⁾ Working capital consists of trade payables and other operating expenses.

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.

Whitewash Waiver in relation to Rights Cum Warrants Issue (cont'd)

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, 3 February 2017, the Concert Party Group holds in aggregate:
 - (i) 1,155,258,407 Shares, representing approximately 52.80% of the voting rights in the Company; and
 - (ii) 276,182,590 Warrants, out of which 113,942,490 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 58.09% (based on the enlarged share capital of the Company of 2,464,252,171 Shares (excluding treasury shares) immediately following the allotment and issue of 276,182,590 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
10 February 2017