

LEY CHOON GROUP HOLDINGS LTD

(Company Registration No. 198700318G)

ANNOUNCEMENT OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. ("**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 and the SGX-ST assumes 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.

Pursuant to Rule 705(2C) of the Listing Manual Section B: Rules of Catalyst, the Singapore Exchange Regulation requires the Company to continue to announce its quarterly financial statements with effect from 7 February 2020.

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LEY CHOON GROUP HOLDINGS LIMITED

UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2020

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3, Q4), HALF-YEAR AND FULL YEAR RESULTS

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

	2 nd Quarter ended		Change %	6 Months Period ended		Change %
	30 Sep	30 Sep		30 Sep	30 Sep	
	2020 S\$'000	2019 S\$'000		2020 S\$'000	2019 S\$'000	
Revenue	16,699	21,981	-24.0%	27,058	47,611	-43.2%
Cost of sales	(16,737)	(20,022)	-16.4%	(29,851)	(43,534)	-31.4%
Gross (loss)/profit	(38)	1,959	n/m	(2,793)	4,077	n/m
Other income	2,680	679	294.7%	4,743	1,083	338.0%
Selling and distribution expenses	(15)	(37)	-59.5%	(32)	(59)	-45.8%
Administrative expenses	(2,307)	(2,577)	-10.5%	(4,670)	(4,890)	-4.5%
Impairment losses on trade receivables reversed	93	164	-43.3%	173	272	-36.4%
Other operating expenses	(98)	(142)	-31.0%	(98)	(148)	-33.8%
Finance costs	(683)	(833)	-18.0%	(1,406)	(1,645)	-14.5%
Loss from continuing operations before taxation	(368)	(787)	-53.2%	(4,083)	(1,310)	211.7%
Taxation	(5)	(33)	-84.8%	-	(28)	n/m
Loss from continuing operations after taxation	(373)	(820)	-54.5%	(4,083)	(1,338)	205.2%
(Loss)/profit from discontinued operation, net of tax (Note 1)	(135)	535	n/m	(260)	608	n/m
Loss for the period	(508)	(285)	78.1%	(4,343)	(730)	494.9%
Other comprehensive income / (loss) after tax:						
Items that may be reclassified subsequently to profit or loss						
Currency translation differences	224	(172)	n/m	19	(608)	n/m
Other comprehensive income / (loss) for the period, net of tax of nil	224	(172)	n/m	19	(608)	n/m
Total comprehensive loss for the period	(284)	(457)	-37.9%	(4,324)	(1,338)	223.2%

Note 1: Discontinued operation relates to result of Ley Choon (Yantai) Eco-Green Construction Material Ltd ("LCYT") which was proposed for disposal on 31 March 2020 (proposed disposal of 60% equity interest in LCYT vide our announcement dated 31 March 2020).

1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	2 nd Quarter ended			6 Months		
	30 Sep 2020 S\$'000	30 Sep 2019 S\$'000	Change %	30 Sep 2020 S\$'000	30 Sep 2019 S\$'000	Change %
Loss attributable to:						
Owners of the Company						
- Loss from continuing operations, net of tax	(373)	(820)	-54.5%	(4,083)	(1,338)	205.2%
- (Loss)/profit from discontinued operations, net of tax	(135)	535	n/m	(260)	608	n/m
Loss for the period	<u>(508)</u>	<u>(285)</u>	78.1%	<u>(4,343)</u>	<u>(730)</u>	494.9%
Total comprehensive loss attributable to:						
Owners of the Company						
- Loss from continuing operations, net of tax	(149)	(992)	-85.0%	(4,064)	(1,946)	108.8%
- (Loss)/profit from discontinued operations, net of tax	(135)	535	n/m	(260)	608	n/m
Total comprehensive loss for the period	<u>(284)</u>	<u>(457)</u>	-37.9%	<u>(4,324)</u>	<u>(1,338)</u>	223.2%

n/m – not meaningful

1(a)(ii) Notes to consolidated statement of comprehensive income

The statement of comprehensive income is arrived at after charging/(crediting) the following:

	2 nd Quarter ended			6 Months Period ended		
	30 Sep 2020 S\$'000	30 Sep 2019 S\$'000	Change %	30 Sep 2020 S\$'000	30 Sep 2019 S\$'000	Change %
Impairment losses on trade receivables reversed	(97)	(164)	-40.9%	(177)	(272)	-34.9%
Amortisation of land use rights	-	16	n/m	-	33	n/m
Depreciation of property, plant and equipment	1,670	1,991	-16.1%	3,435	4,102	-16.3%
Depreciation of right-of-use assets	508	363	39.9%	1,051	726	44.8%
Foreign exchange gain	(62)	(105)	-41.0%	(139)	(299)	-53.5%
Change in fair value of financial assets at fair value through profit or loss	3	7	-57.1%	(8)	13	n/m
Dividend income from other investments	-	-	n/m	(1)	(1)	0.0%
Gain on disposal of property, plant and equipment	64	3	2033.3%	64	(2)	n/m
Finance costs	692	842	-17.8%	1,424	1,679	-15.2%
Provision for fines and penalty reversed	-	-	n/m	-	(200)	n/m
Operating lease expenses	178	190	-6.3%	325	379	-14.2%

n/m – not meaningful

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

	Group		Company	
	As at 30 Sep 2020 S\$'000	As at 31 Mar 2020 S\$'000	As at 30 Sep 2020 S\$'000	As at 31 Mar 2020 S\$'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	28,559	31,394	-	-
Right-of-use assets	8,092	8,314	-	-
Subsidiaries	-	-	38,407	38,407
Club membership	229	229	-	-
	36,880	39,937	38,407	38,407
Current Assets				
Inventories	7,979	6,801	-	-
Contract assets	26,984	33,070	-	-
Trade and other receivables	9,471	16,211	-	90
Prepayments	3,217	2,880	56	57
Other investments	46	39	-	-
Cash and bank balances	4,317	2,834	72	1
Fixed deposits	177	161	-	-
	52,191	61,996	128	148
Assets of disposal group classified as held-for-sale	9,965	10,866	8,000	8,000
	62,156	72,862	8,128	8,148
Total assets	99,036	112,799	46,535	46,555
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	79,807	79,807	146,026	146,026
Accumulated losses	(66,297)	(61,954)	(147,373)	(146,451)
Other reserves	618	599	29,017	29,017
Total equity	14,128	18,452	27,670	28,592
Non-Current Liabilities				
Lease liabilities	2,636	2,740	-	-
Deferred tax liabilities	31	31	-	-
	2,667	2,771	-	-
Current Liabilities				
Borrowings	54,406	54,458	15,913	15,851
Lease liabilities	2,051	2,574	-	-
Trade and other payables	20,152	28,108	2,952	2,112
Current tax payable	54	54	-	-
Provisions	1,799	1,799	-	-
	78,462	86,993	18,865	17,963
Liabilities directly associated with disposal group classified as held-for-sale	3,779	4,583	-	-
	82,241	91,576	18,865	17,963
Total liabilities	84,908	94,347	18,865	17,963
Total equity and liabilities	99,036	112,799	46,535	46,555

1(b)(ii) Aggregate amount of the Group's borrowing and debt securities

Amount repayable in one year or less, or on demand

	Group	
	As at 30 Sep 2020 S\$'000	As at 31 Mar 2020 S\$'000
Secured		
Bank loans	38,493	38,607
Convertible bond (Murabaha Facility)	15,913	15,851
Total	54,406	54,458

Details of any collateral

Bank overdrafts, bills payable and bank loans are secured by the following:

- (i) legal mortgage over the Group's leasehold properties;
- (ii) charge over certain of the Group's plant and equipment;
- (iii) charge over shares in the Company's subsidiaries;
- (iv) charge over certain of the Group's bank accounts;
- (v) fixed deposits of the Group;
- (vi) floating charge over all other assets; and
- (vii) corporate guarantees by the Company.

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

	6 Months Period ended	
	30 Sep 2020	30 Sep 2019
	S\$'000	S\$'000
Cash Flows from Operating Activities:		
Loss before taxation	(4,343)	(711)
Adjustments for:		
Amortisation of land use rights	-	33
Depreciation of property, plant and equipment	3,435	4,102
Depreciation of right-of-use assets	1,051	726
Provision for fines and penalty reversed	-	(200)
Impairment losses on trade receivables reversed	(177)	(272)
Loss/(gain) on disposal of property, plant and equipment	64	(2)
Fair value (gain)/loss on other investments	(8)	13
Dividend income from other investments	(1)	(1)
Interest income	(8)	(10)
Finance costs	1,424	1,679
Operating cash flows before working capital changes	1,437	5,357
Changes in inventories	(1,181)	(1,117)
Changes in contract assets	6,025	(2,689)
Changes in trade and other receivables	6,659	1,850
Changes in prepayments	(568)	427
Changes in trade and other payables	(8,287)	(1,200)
Cash generated from operations	4,085	2,628
Income taxes refunded	-	(27)
Net cash generated from operating activities	4,085	2,601
Cash Flows from Investing Activities:		
Interest received	8	10
Purchase of property, plant and equipment	(887)	(1,163)
Dividend received from other investments	1	1
Proceeds from disposal of property, plant and equipment	92	48
Net cash used in investing activities	(786)	(1,104)
Cash Flows from Financing Activities:		
Interest paid	(1,321)	(1,487)
Repayment of loans from financial institutions	-	(1,281)
Repayment of lease liabilities	(1,080)	(1,381)
Fixed deposits pledged with banks	(18)	2
Net cash used in financing activities	(2,419)	(4,147)
Net increase/(decrease) in cash and cash equivalents	880	(2,650)
Cash and cash equivalents at beginning of period	3,470	3,569
Exchange differences on translation of cash and cash equivalents	(1)	(6)
Cash and cash equivalents at end of period (Note 2)	4,349	913

Note 2: The cash and cash equivalents include assets of disposal group classified as held-for sale which relates to the proposed disposal of Ley Choon (Yantai) Eco-Green Construction Material Ltd.

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

	6 Months Period ended	
	30 Sep 2020	30 Sep 2019
	S\$'000	S\$'000
Cash and bank balances - continuing operations	4,317	913
Cash and bank balances - discontinued operation	<u>32</u>	<u>-</u>
Cash and cash equivalents at end of period	<u>4,349</u>	<u>913</u>

1(d)(i) A statement 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	Share capital S\$'000	Accumulated losses S\$'000	Foreign currency translation reserve S\$'000	Reserve of disposal group classified as held-for-sale S\$'000	Other reserve S\$'000	Equity component of convertible bonds S\$'000	Total equity S\$'000
Balance at 1 April 2019	79,807	(57,214)	364	-	-	243	23,200
Adjustment on initial application of SFRS (I) 16 (net of tax)	-	(148)	-	-	-	-	(148)
	79,807	(57,362)	364	-	-	243	23,052
Loss for the period	-	(730)	-	-	-	-	(730)
Other comprehensive loss for the period	-	-	-	-	-	-	-
- Currency translation differences	-	-	(608)	-	-	-	(608)
Total comprehensive loss for the period	-	(730)	(608)	-	-	-	(1,338)
Balance at 30 September 2019	79,807	(58,092)	(244)	-	-	243	21,714
Balance at 1 April 2020	79,807	(61,954)	572	(173)	(43)	243	18,452
Loss for the period	-	(4,343)	-	-	-	-	(4,343)
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	-
- Currency translation differences	-	-	27	(8)	-	-	19
Total comprehensive loss for the period	-	(4,343)	27	(8)	-	-	(4,324)
Balance at 30 September 2020	79,807	(66,297)	599	(181)	(43)	243	14,128

1(d)(i) A statement showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

<u>Company</u>	Share capital S\$'000	Capital reserve S\$'000	Accumulated losses S\$'000	Total equity S\$'000
Balance at 1 April 2019	146,026	(884)	(112,348)	32,794
Loss for the period/Total comprehensive loss for the period	-	-	(944)	(944)
Balance at 30 September 2019	<u>146,026</u>	<u>(884)</u>	<u>(113,292)</u>	<u>31,850</u>
Balance at 1 April 2020	146,026	29,017	(146,451)	28,592
Loss for the period/Total comprehensive loss for the period	-	-	(922)	(922)
Balance at 30 September 2020	<u>146,026</u>	<u>29,017</u>	<u>(147,373)</u>	<u>27,670</u>

1(d)(ii) Details of any changes in the company’s share capital arising from right issue, bonus issue, subdivision, consolidation, 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company’s as well as the Group’s share capital since the end of the previous reporting period.

As at 30 September 2020 (and 31 March 2020), the Company’s issued and paid-up share capital was S\$146,026,238 (and S\$146,026,238).

There were no treasury shares held by the Company as at 30 September 2020 (and 30 September 2019).

There were no subsidiary shareholdings as at 30 September 2020 (and 30 September 2019).

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.

Actual	30 September 2020	31 March 2020
Total number of issued shares excluding treasury shares	1,184,813,992	1,184,813,992

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

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

Not applicable.

- 3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:—**

- (a) Updates on the efforts taken to resolve each outstanding audit issue.**
- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable. Whilst the Group's latest audited financial statements for the financial year ended 31 March 2020 (the "**FY2020 Audited Financial Statements**") included a material uncertainty related to going concern in the Independent Auditor's Report, the FY2020 Audited Financial Statements are not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the auditors.

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

There were no significant changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recently audited annual financial statements for the year ended 31 March 2020.

- 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.**

Not applicable

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

As at 30 September 2020, the convertible bonds are excluded from the calculation of diluted weighted average number of ordinary shares in issue as their effect would have been anti-dilutive.

	2 nd Quarter ended		6 Months Period ended	
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
Earnings per share (EPS in cents)				
<u>Continuing operations</u>				
EPS based on weighted average number of ordinary shares on issue (cents)	(0.03)	(0.07)	(0.34)	(0.11)
EPS based on a fully diluted basis (cents)	(0.03)	(0.07)	(0.34)	(0.11)
<u>Discontinued operations</u>				
EPS based on weighted average number of ordinary shares on issue (cents)	(0.01)	0.05	(0.02)	0.05
EPS based on a fully diluted basis (cents)	(0.01)	0.05	(0.02)	0.05
Weighted average number of shares	1,184,813,992	1,184,813,992	1,184,813,992	1,184,813,992

7. Net assets value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year

	Group		Company	
	As at 30 Sep 2020	As at 31 Mar 2020	As at 30 Sep 2020	As at 31 Mar 2020
Net asset value (NAV in cents)				
NAV per ordinary share	1.19	1.56	2.34	2.41
Number of shares	1,184,813,992	1,184,813,992	1,184,813,992	1,184,813,992

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonable or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on.**

Comprehensive income statement

Second quarter review – Q2FY21 vs Q2FY20

Revenue

Revenue decreased by approximately S\$5.3 million or 24.0% to S\$16.7 million for the three months ended 30 September 2020 ("**Q2FY21**") compared to the corresponding period ended 30 September 2019 ("**Q2FY20**") of S\$22.0 million. The decrease in revenue is attributable mainly to a) low construction activities in small diameter pipe replacement, big diameter pipe and cable projects during the period immediately after Phase-1 reopening where any approvals to commence the site works were granted in phases, b) certain projects nearing completion and c) lower demand for construction materials due to low construction activities.

Gross profit/(loss)

Gross loss was S\$0.04 million with a gross loss margin of 0.2% for Q2FY21 compared to gross profit of S\$2.0 million with a gross profit margin of 8.9% for Q2FY20. The gross loss was mainly due to the decrease in revenue as mentioned above and certain fixed direct operating costs that were incurred during the period.

Other income

Other income for Q2FY21 increased by approximately S\$2.0 million or 294.7% to S\$2.7 million compared to Q2FY20 mainly due to the payments from the government to support businesses affected by COVID-19 through various budgetary measures.

Selling and distribution expenses

Selling and distribution expenses for Q2FY21 decreased by 59.5% to S\$0.02 million compared to Q2FY20 due mainly to lower travelling and some other business expenses incurred during the period.

Administrative expenses

Administrative expenses for Q2FY21 decreased by approximately S\$0.3 million or 10.5% to S\$2.3 million compared to Q2FY20 due mainly to the decrease in property related expenses and some other admin expenses during the period.

Impairment losses on trade receivables reversed

Impairment losses on trade receivables reversed for Q2FY21 decreased by approximately S\$0.07 million or 43.3% to S\$0.09 million compared to Q2FY20 due mainly to lower reversal of impairment losses on trade receivables.

Other operating expenses

Other operating expenses for Q2FY21 decreased by approximately S\$0.04 million or 31% to S\$0.1 million compared to Q2FY20 due to lower regulatory costs at construction sites during the period.

Finance costs

Finance costs for Q2FY21 decreased by approximately S\$0.2 million or 18.0% to S\$0.7 million compared to Q2FY20 due mainly to the decrease in interest rates during the period.

Net loss after tax

The Group reported a net loss after tax of S\$0.5 million for Q2FY21 due to the various reasons as explained above.

Six months review – 6MFY21 vs 6MFY20

Revenue

Revenue decreased by approximately S\$20.6 million or 43.2% to S\$27.0 million for the six months ended 30 September 2020 ("6MFY21") compared to the corresponding period ended 30 September 2019 ("6MFY20") of S\$47.6 million. The decrease in revenue is attributable mainly to a) halting of construction activities (except for essential services) during circuit breaker and slow pick up of construction activities during and after phase 1 of the reopening of economy where any agency approvals to commence construction works were granted in phases, b) certain projects are nearing completion; and c) lower demand for construction materials due to low construction activities during the period.

Gross profit/(loss)

Gross loss was S\$2.8 million with a gross loss margin of 10.3% for 6MFY21 compared to gross profit of S\$4.1 million with a gross profit margin of 8.6% for 6MFY20. The gross loss was mainly due to the decrease in revenue as explained above and certain fixed direct operating costs that were incurred during the period.

Other income

Other income for 6MFY21 increased by approximately S\$3.7 million or 338.0% to S\$4.7 million compared to 6MFY20 mainly due to the payments from the government to support businesses affected by COVID-19 through various budgetary measures.

Selling and distribution expenses

Selling and distribution expenses for 6MFY21 decreased by 45.8% to S\$0.03 million compared to 6MFY20 due mainly to lower travelling and some other business expenses incurred during the period.

Administrative expenses

Administrative expenses for 6MFY21 decreased by approximately S\$0.2 million or 4.5% to S\$4.7 million compared to 6MFY20 due mainly to the decrease in property related expenses and some other admin expenses during the period.

Impairment losses on trade receivables reversed

Impairment losses on trade receivables reversed for 6MFY21 decreased by approximately S\$0.1 million or 36.4% to S\$0.2 million compared to 6MFY20 due mainly to lower reversal of impairment losses on trade receivables.

Other operating expenses

Other operating expenses for 6MFY21 decreased by approximately S\$0.05 million or 33.8% to S\$0.1 million compared to 6MFY20 due to lower regulatory costs at construction sites.

Finance costs

Finance costs for 6MFY21 decreased by approximately S\$0.2 million or 14.5% to S\$1.4 million compared to 6MFY20 due mainly to the decrease in interest rates during the period.

Net loss after tax

The Group reported a net loss after tax of S\$4.3 million for 6MFY21 due to the various reasons as explained above.

Consolidated statements of financial position

Non-current assets

The Group's non-current assets decreased by S\$3.0 million from S\$39.9 million as at 31 March 2020 to S\$36.9 million as at 30 September 2020, attributable mainly to:

- (a) decrease in property, plant and equipment by S\$2.8 million to S\$28.6 million as at 30 September 2020 compared to S\$31.4 million as at 31 March 2020, as a result of depreciation of S\$3.4 million; partially offset by the additions of plant and machinery amounting to S\$0.9 million during the period; and
- (b) decrease in right-of-use assets by S\$0.2 million to S\$ 8.1 million as at 30 September 2020 compared to S\$8.3 million as at 31 March 2020, as a result of depreciation of S\$1.1 million; partially offset by additions of right-of-use assets amounting to S\$0.9 million during the period.

Current assets

The Group's current assets decreased by S\$10.7 million from S\$72.9 million as at 31 March 2020 to S\$62.2 million as at 30 September 2020, attributable mainly to:

- (a) decrease in trade and other receivables by S\$6.7 million to S\$9.5 million as at 30 September 2020 compared to S\$16.2 million as at 31 March 2020 due mainly to the increase in collections from customers; and
- (b) decrease in contract assets by S\$6.1 million to S\$27.0 million as at 30 September 2020 compared to S\$33.1 million as at 31 March 2020 due mainly to the increase in billing and lower operational activities as explained above;

which were partially offset by:

- (c) increase in cash and cash equivalents by S\$1.5 million to S\$4.5 million as at 30 September 2020 compared to S\$3.0 million as at 31 March 2020 due mainly to the increase in collections from customers; and
- (d) increase in inventories by S\$1.2 million to S\$8.0 million as at 30 September 2020 compared to S\$6.8 million as at 31 March 2020 due to purchase of materials for the ongoing and new projects secured.

Current liabilities

The Group's current liabilities decreased by S\$9.3 million from S\$91.5 million as at 31 March 2020 to S\$82.2 million as at 30 September 2020 due mainly to the decrease in trade and other payables by S\$8.0 million.

Non-current liabilities

The Group's non-current liabilities decreased by S\$0.1 million due mainly to repayment of lease liabilities.

Consolidated statement of cash flow

The Group's cash and cash equivalents stood at S\$4.3 million as at 30 September 2020, as compared to S\$0.9 million as at 30 September 2019.

Net cash generated from operating activities

Net cash generated from operating activities was S\$4.1 million, comprising operating cash flows before working capital changes of S\$1.4 million and net working capital inflow of S\$2.6 million.

The net working capital inflow of S\$2.6 million was due mainly to the following:

- (a) decrease in trade and other receivables of approximately S\$6.7 million due to the increase in collections from customers; and

- (b) decrease in contract assets of approximately S\$6.0 million due to the increase in billing and lower operational activities during the period; which were partially offset by:
- (c) decrease in trade and other payables of approximately S\$8.3 million due to the increase in payments to creditors;
- (d) increase in inventories of approximately S\$1.2 million due to purchase of materials for the projects; and
- (e) increase in prepayments of approximately S\$0.6 million due to more advance payment.

Net cash used in investing activities

Net cash used in investing activities of approximately S\$0.8 million was due mainly to purchase of property, plant and equipment.

Net cash used in financing activities

Net cash used in financing activities of approximately S\$2.4 million was due mainly to repayment of lease liabilities and interest payments.

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

No forecast or prospect statement has been previously disclosed. Furthermore, there is no deviation from paragraph 10 of the previous financial results announcement.

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

The Building and Construction Authority ("BCA"), vide their announcement dated 17 September 2020, has revised its projected construction demand for 2020 from the earlier forecast of \$28 billion – \$33 billion released in January 2020 to \$18 billion – \$23 billion.

However, the Group has secured contracts worth S\$42.0 million during the second quarter ended 30 September 2020. The Group will continue to tender prudently for more underground utilities infrastructure projects.

The Group will continue to observe the on-going pandemic situation carefully and strictly follow the implemented measures in response to COVID-19 which include, inter alia, periodical testing, safe distancing measures both at the workplace and dormitory, daily monitoring of the workforce movement, etc.

To date, the Group's unfulfilled order book stands at approximately S\$185.8 million.

11. Dividends

(a) Current financial period

Any dividend declared for the current financial period reported on? No.

(b) Previous corresponding financial period

Any dividend declared for the previous corresponding financial period reported on? No.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared as the Group has reported a net loss.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for interested party transactions. The Group had no interested party transactions during the period.

14. Disclosure on the status on the use of proceeds raised from IPO and any offerings pursuant to Chapter 8 and whether the use of the proceeds is in accordance with the stated use. Where the proceeds have been used for working capital purposes, a breakdown with specific details on how the proceeds have been applied must be disclosed.

Not applicable.

15. Confirmation pursuant to Rule 705(5) of the listing manual

Having considered, including but not limited to, the following:

- whether the financial statements provide a balanced and fair view of any material factors that have affected the Company's business conditions and financial position; and
- whether all material information has been assessed to ensure reliability of the financial statements,

on behalf of the Board of Directors of the Company, we, Toh Choo Huat and Ling Chung Yee, being Directors of the Company, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the six-month period ended 30 September 2020 to be false or misleading in any material aspect.

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7H pursuant to Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Toh Choo Huat
Executive Chairman and Chief Executive Officer

12 November 2020