

KEONG HONG HOLDINGS LIMITED

Unaudited Financial Statement For The Period Ended 31 March 2020

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

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	First Half ended		
	31/3/2020 Unaudited S\$'000	31/3/2019 Unaudited S\$'000	+(-) %
Revenue	61,604	76,739	(19.7)
Cost of sales	(45,051)	(68,149)	(33.9)
Gross profit	16,553	8,590	92.7
Other income	7,043	3,005	134.4
Administration expenses	(7,083)	(6,842)	3.5
Finance costs	(3,157)	(3,114)	1.4
Share of results of joint venture, net of tax	4,760	7,877	(39.6)
Share of results of associate, net of tax	(6,103)	(2,181)	179.8
Profit before income tax	12,013	7,335	63.8
Income tax expense	(2,427)	(1,108)	119.0
Profit after tax for the financial period	9,586	6,227	53.9
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating of foreign operations	(383)	85	n.m.
Fair value loss on available -for-sale financial asset	(225)	(225)	-
Share of other comprehensive income of joint venture	-	(158)	n.m.
Share of other comprehensive income of associate	-	-	n.m.
Other comprehensive income for the financial year, net of tax	(608)	(298)	n.m.
Total comprehensive income for the financial period	8,978	5,929	51.4
Profit attributable to:			
Owners of the parent	10,027	6,150	63.0
Non-controlling interests	(441)	77	n.m.
	9,586	6,227	53.9
Total comprehensive income attributable to:			
Owners of the parent	9,419	5,852	61.0
Non-controlling interests	(441)	77	n.m.
	8,978	5,929	51.4

n.m. denotes not meaningful

1(a)(ii) Profit for the financial year is stated after charging/(crediting):

	Group		
	First Half ended		
	31/3/2020 Unaudited S\$'000	31/3/2019 Unaudited S\$'000	+(-) %
Amortisation of intangible asset	10	20	(50.0)
Depreciation of investment properties	314	305	3.0
Depreciation of property, plant and equipment	1,852	1,921	(3.6)
Amortisation of lease expenses	445	-	n.m.
Foreign exchange loss/(gain) – Net	(2,676)	217	n.m.
Reversal of loss allowance on other receivables	(42)	-	n.m.
Share option expense	146	128	14.1
Gain on disposal of plant and equipment	(114)	(3)	3700.0
Interest income	(3,192)	(2,571)	24.2
Interest on borrowings	3,051	3,103	(1.7)
Interest on lease liabilities	106	11	863.6

n.m. denotes 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		As at	
	31/3/2020	30/9/2019	31/3/2020	30/9/2019
	Unaudited	Audited	Unaudited	Audited
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	24,500	27,355	-	173
Investment properties	24,088	23,709	-	-
Right of use assets	7,301	-	149	-
Investments in subsidiaries	-	-	31,886	31,886
Investment in associates	44,933	57,463	5,610	5,610
Investments in joint ventures	28,989	23,982	-	-
Intangible assets	227	237	-	-
Financial assets at fair value through other comprehensive income	56,589	56,814	4,200	4,425
Financial assets at fair value through profit and loss	31,052	30,092	-	-
Other receivables	100,490	97,372	-	-
Deferred tax assets	313	493	-	-
Total non-current assets	318,482	317,517	41,845	42,094
Current assets				
Inventories	1,360	1,421	-	-
Trade and other receivables	64,005	52,826	70,687	71,747
Contract assets	15,038	22,424	-	-
Lease receivables	567	636	-	-
Prepayments	654	830	14	3
Fixed deposits pledged	530	529	-	-
Cash and cash equivalents	33,654	55,792	757	5,055
Total current assets	115,808	134,458	71,458	76,805
Total assets	434,290	451,975	113,303	118,899
Equity				
Share capital	25,048	25,048	25,048	25,048
Treasury shares	(3,303)	(3,303)	(3,303)	(3,303)
Other reserves	(1,718)	(1,256)	(732)	(653)
Retained earnings	209,057	202,555	3,291	8,801
Equity attributable to owners of the parent	229,084	223,044	24,304	29,893
Non-controlling interests	1,961	2,300	-	-
Total equity	231,045	225,344	24,304	29,893
Non-current liabilities				
Bank borrowings	7,352	7,699	-	-
Lease liability	6,346	397	89	99
Medium term notes	84,653	84,537	84,653	84,537
Provision	510	506	-	-
Deferred tax liabilities	69	69	-	-
Total non-current liabilities	98,930	93,208	84,742	84,636
Current liabilities				
Trade and other payables	67,773	90,647	4,237	4,351
Contract liability	-	287	-	-
Bank borrowings	27,133	32,447	-	-
Lease liability	597	118	20	19
Provision	2,022	2,022	-	-
Current income tax payable	6,790	7,902	-	-
Total current liabilities	104,315	133,423	4,257	4,370
Total liabilities	203,245	226,631	88,999	89,006
Total equity and liabilities	434,290	451,975	113,303	118,899

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31/03/2020 Unaudited		As at 30/09/2019 Audited	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
27,133	-	32,477	-

Amount repayable after one year

As at 31/03/2020 Unaudited		As at 30/09/2019 Audited	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
7,352	84,653	7,699	84,537

Details of collateral:

The Group's secured borrowings are secured by corporate guarantee, properties and project proceeds in respect of the Company's construction projects.

The unsecured borrowing relates to net proceeds of S\$84.1 million from the issuance of S\$85.0 million 4-year Fixed Rate Notes ("**Series 2 Term Notes**") on 15 September 2017 under Keong Hong Holdings Limited S\$150 million Multicurrency Medium Term Note Programme. The Series 2 Term Notes bear fixed interest of 5.75 per cent per annum payable semi-annually in arrear and will mature on 15 September 2021.

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

	Group	
	Half Year ended	
	31/3/2020	31/3/2019
	Unaudited	Unaudited
	S\$'000	S\$'000
Operating activities		
Profit before income tax	12,013	7,335
Adjustments for:		
Amortisation of intangible assets	10	20
Amortisation of lease expenses	445	-
Depreciation of investment properties	314	305
Depreciation of property, plant and equipment	1,852	1,921
Reversal of loss allowance of other receivables	(42)	-
Gain on disposal of plant and equipment	(114)	(3)
Interest income	(3,192)	(2,571)
Interest expenses	3,157	3,114
(Gain)/loss on unrealised foreign exchange	(2,676)	217
Share option expense	146	128
Share of results of joint venture, net of tax	(4,760)	(7,877)
Share of result of associates, net of tax	6,103	2,181
Operating cash flows before movements in working capital	13,256	4,770
Working Capital Changes:		
Inventories	61	(45)
Trade and other receivables	(962)	7,164
Contract assets	7,277	(4,095)
Prepayments	179	184
Provisions	1,775	(1,247)
Contract liability	(173)	299
Trade and other payables	(27,824)	(9,286)
Cash generated used in operations	(6,411)	(2,256)
Income tax paid	(2,727)	(953)
Net cash generated used in operating activities	(9,138)	(3,209)
Investing activities		
Investment in joint ventures	(330)	(1,175)
Purchase of plant and equipment	(12)	(162)
Purchase of investment properties	(23)	-
Proceeds from finance lease receivables	69	67
Proceeds from disposal of plant and equipment	157	-
Loan to associates	(7,188)	(14,520)
Loan to joint ventures	(2,048)	(2,100)
Loan to third party	(960)	(2,560)
Repayment of loan from associates	2,069	5,400
Interest received	152	341
Dividend received	8,171	-
Net cash from/ (used in) investing activities	57	(14,709)

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

	Group	
	Half Year ended	
	31/3/2020	31/3/2019
	Unaudited	Unaudited
	S\$'000	S\$'000
Financing activities		
Fixed deposit pledged with financial institutions	(1)	-
Proceeds from obligation under lease	35	45
Proceeds from bank borrowings	11,460	6,847
Repayments of bank borrowings	(17,122)	(4,156)
Dividend paid	(3,525)	(4,690)
Repayment of obligation under lease	(363)	(112)
Interest paid	(3,024)	(2,961)
Net cash from used in financing activities	(12,540)	(5,027)
Net change in cash and cash equivalents	(21,621)	(22,945)
Cash and cash equivalents at the beginning of the financial period	55,792	73,397
Exchange difference on cash and cash equivalents	(517)	(418)
Cash and cash equivalents at end of the financial period	33,654	50,034

Cash and cash equivalents comprised of:

	31/3/2020	31/3/2019
	Unaudited	Unaudited
	S\$'000	S\$'000
Fixed deposits, cash and bank balances	34,184	50,562
Fixed deposits pledged	(530)	(528)
	33,654	50,034

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

	Share capital S\$'000	Treasury shares S\$'000	Foreign currency translation accounts S\$'000	Share option reserve S\$'000	Merger reserve S\$'000	Fair value reserve S\$'000	Other reserve S\$'000	Retained earnings S\$'000	Equity attributable to owners of the parent S\$'000	Non-controlling interests S\$'000	Total S\$'000
Group (Unaudited)											
Balance at 1 October 2019	25,048	(3,303)	494	1,747	(4,794)	178	1,119	202,555	223,044	2,300	225,344
Profit for the financial period	-	-	-	-	-	-	-	10,027	10,027	(441)	9,586
Other comprehensive income for the financial period:											
Exchange differences on translating foreign operations	-	-	(383)	-	-	-	-	-	(383)	-	(383)
Fair value loss on available-for-sale financial assets	-	-	-	-	-	(225)	-	-	(225)	-	(225)
Share of other comprehensive income of joint venture	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(383)	-	-	(225)	-	10,027	9,419	(441)	8,978
Contribution by and distribution to owners of the parents:											
Dividends	-	-	-	-	-	-	-	(3,525)	(3,525)	-	(3,525)
Issued of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interests share of fair value adjustments on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	102	102
Share option expense	-	-	-	146	-	-	-	-	146	-	146
Total transactions with owners of the parent	-	-	-	146	-	-	-	(3,525)	(3,379)	102	(3,277)
Balance at 31 March 2020	25,048	(3,303)	111	1,893	(4,794)	(47)	1,119	209,057	229,084	1,961	231,045

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

	Share capital S\$'000	Treasury shares S\$'000	Foreign currency translation accounts S\$'000	Share option reserve S\$'000	Merger reserve S\$'000	Available-for-sale reserve S\$'000	Other reserve S\$'000	Retained earnings S\$'000	Equity attributable to owners of the parent S\$'000	Non-controlling interests S\$'000	Total S\$'000
Group (Unaudited)											
Balance at 1 October 2018	25,048	(3,303)	385	1,311	(4,794)	5,788	1,341	192,217	217,993	1,533	219,526
Profit for the financial period	-	-	-	-	-	-	-	6,150	6,150	77	6,227
Other comprehensive income for the financial period:											
Exchange differences on translating foreign operations	-	-	85	-	-	-	-	-	85	-	85
Fair value loss on available-for-sale financial assets	-	-	-	-	-	(225)	-	-	(225)	-	(225)
Share of other comprehensive income of associate	-	-	-	-	-	-	(158)	-	(158)	-	(158)
Total comprehensive income for the period	-	-	85	-	-	(225)	(158)	6,150	5,852	77	5,929
Contribution by and distribution to owners of the parents:											
Dividends	-	-	-	-	-	-	-	(4,690)	(4,690)	-	(4,690)
Non-controlling interest share of fair value adjustments on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	102	102
Share option expense	-	-	-	128	-	-	-	-	128	-	128
Total transactions with owners of the parent	-	-	-	128	-	-	-	(4,690)	(4,562)	102	(4,460)
Balance at 31 March 2019	25,048	(3,303)	470	1,439	(4,794)	5,563	1,183	193,677	219,283	1,712	220,995

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

	Share capital S\$'000	Treasury Shares S\$'000	Share option reserve S\$'000	Fair value reserve S\$'000	Retained earnings S\$'000	Total S\$'000
Company (Unaudited)						
Balance at 1 October 2019	25,048	(3,303)	1,747	(2,400)	8,801	29,893
Total comprehensive loss for the period	-	-	-	-	(1,985)	(1,985)
Fair value loss on available-for-sale financial assets	-	-	-	(225)	-	(225)
Dividends	-	-	-	-	(3,525)	(3,525)
Share option expense	-	-	146	-	-	146
Balance at 31 March 2020	25,048	(3,303)	1,893	(2,625)	3,291	24,304
Balance at 1 October 2018	25,048	(3,303)	1,311	-	7,585	30,641
Total comprehensive income for the period	-	-	-	-	(2,456)	(2,456)
Fair value loss on available-for-sale financial assets	-	-	-	(225)	-	(225)
Dividends	-	-	-	-	(4,690)	(4,690)
Share option expense	-	-	128	-	-	128
Balance at 31 March 2019	25,048	(3,303)	1,439	(225)	439	23,398

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.

	Number of issued shares	Share capital (\$)
As at 1 October 2019	235,010,000	25,048,000
Movement	-	-
As at 31 March 2020	235,010,000	25,048,000

As at 31 March 2020, there were 6,555,000 outstanding options issued under Employee Share Option Scheme (the "ESOS") (31 March 2019: 6,655,000), which are convertible into 6,555,000 (31 March 2019: 6,655,000) shares. The total number of issued shares excluding treasury shares of the Company was 235,010,000 and 234,510,000 as at 31 March 2020 and 31 March 2019 respectively. Save for the options, the Company did not have any outstanding convertibles as at 31 March 2020 and 31 March 2019.

As at 31 March 2020, the Company held 7,555,000 treasury shares (31 March 2019: 8,055,000 treasury shares) representing 3.11% (31 March 2019: 3.32%) of the total number of issued shares (including treasury shares) of 242,565,000 shares (31 March 2019: 242,565,000 shares). The Company does not have any subsidiary holdings as at the periods ended 31 March 2020 and 31 March 2019.

1(d)(iii) To show the 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.

	31/03/2020 Unaudited	30/09/2019 Audited
Total number of issued shares	242,565,000	242,565,000
Treasury shares	(7,555,000)	(7,555,000)
Total number of issued shares, excluding treasury shares	235,010,000	235,010,000

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.

Movement of treasury shares:

	Number of Treasury Shares
As at 1 October 2019	7,555,000
Sales, transfers, disposals and/or cancellation	-
As at 31 March 2020	7,555,000

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.

There is no subsidiary holdings.

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

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

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

Not applicable.

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

No.

(a) Updates on the efforts taken to resolve each outstanding audit issue

Not applicable.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed

Not applicable.

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

Except as disclosed in note (5) below, the financial results for the current financial year reported on have been presented using the same accounting policies and methods of computation as in the Company's most recently audited financial statement as set out in the annual report for the financial year ended 30 September 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted all accounting standards that are effective from 1 October 2019. The adoption of the accounting standards did not have any material impact on the financial statements, except as described below:

SFRS(I) 16 Leases

SFRS(I) 16 is effective for financial years beginning on or after 1 January 2019. The Group has applied the modified retrospective approach and will not restate comparative amounts for the financial year prior to adoption.

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 (cont'd)

SFRS(I) 16 requires lessees to recognise most leases on the statement of financial position. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). The standard allows exemption for short-term leases and leases of low value assets. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Right-of-use assets included in property, plant and equipment, are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition would take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

Upon adoption of SFRS(I) 16 on 1 October 2019, the Group recognised right-of-use assets of S\$7.7 million and lease liabilities of S\$7.3 million.

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

- (a) Based on the weighted average number of ordinary shares on issue; and
(b) On a fully diluted basis (detailing any adjustments made to the earnings).**

	Group	
	Half Year ended	
	31/03/2020 Unaudited	31/03/2019 Unaudited
Profit attributable to owners of the parent (S\$'000)	10,027	6,150
(i) Earnings per share ("EPS") – Basic (Singapore cents) ⁽¹⁾	4.27	2.62
Weighted average number of ordinary shares ⁽³⁾	235,010,000	234,510,000
(ii) Earnings per share ("EPS") –Diluted (Singapore cents) ⁽²⁾	4.26	2.61
Weighted average number of ordinary shares ⁽³⁾	235,340,660	235,990,473

Notes:

- (1) The calculation for the basic EPS for the relevant financial periods is based on the weighted average number of ordinary shares of the Company during the relevant financial periods.
- (2) The calculation for the diluted EPS is based on the weighted average number of ordinary shares of the Company after adjusting for lapsed Options and dilution assuming the Options are fully exercised into ordinary shares of the Company.
- (3) The figure was computed taking into account the shares bought back by the Company during the relevant financial period, if any.

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

	Group		Company	
	31/03/2020 Unaudited	30/09/2019 Audited	31/03/2020 Unaudited	30/09/2019 Audited
Net asset value per ordinary share (Singapore cents)	97.48	94.91	10.34	12.72
Number of issued shares excluding treasury shares	235,010,000	235,010,000	235,010,000	235,010,000

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of the performance

Revenue

For half year ended 31 March 2020 (“1H2020”), revenue decreased by 19.7% to S\$61.6 million as compared to S\$76.7 million in the corresponding period ended 31 March 2019 (“1H2019”). The decrease in revenue was mainly due to lower revenue contribution from construction projects such as Seaside Residences condominium which is near completion and Pullman Maamutaa Maldives resort which had been completed in the last quarter of 2019.

Gross Profit & Gross Profit Margin

In 1H2020, the Group recorded a gross profit of S\$16.6 million with gross profit margin of 26.87%, compared to gross profit of S\$8.6 million in 1H2019. The increase in gross margin was mainly due to realization of cost savings from some of the construction projects.

Other Income

Other income increased by S\$4.0 million to S\$7.0 million in 1H2020. The increase was mainly attributed to foreign exchange gain of S\$2.7 million as a result of strengthening of the United States dollar and Japanese Yen against the Singapore dollar in the current reporting period, and higher rental and interest income.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**
- (Cont'd)

Administration Expenses

For 1H2020, administration expenses increased by 3.5% or S\$0.3 million to S\$7.1 million compared to S\$6.8 million in 1H2019. This was due mainly to higher depreciation and amortization of lease expenses.

Finance Costs

The Group incurred finance costs of S\$3.2 million in 1H2020 which was similar to the amount incurred in 1H2019.

Share of Results of Joint Ventures/Associates

For 1H2020, the Group recorded a share of gain of S\$4.8 million from joint ventures for property development projects. The gain was offset by share of loss of S\$6.1 million from associates that was mainly attributable to the hotels and resorts business in Maldives.

Profit before Income Tax

As a result of higher gross profit and other income, the Group's net profit before tax increased by 63.8% to S\$12.0 million in 1H2020 as compared to S\$7.3 million in 1H2019.

Review of Financial Position

Non-Current Assets

Plant and equipment decreased from S\$27.4 million as at 30 September 2019 to S\$24.5 million as at 31 March 2020 due to depreciation expenses incurred in the current reporting period and reclassification of certain plant and equipment to right of use assets amounted to S\$1.0 million. Investment properties increased from S\$23.7 million as at 30 September 2019 to S\$24.1 million as at 31 March 2020 due to unrealized foreign currency gain on translation of foreign operation which was partially offset by depreciation expenses.

Current Assets

Trade and other receivables increased by S\$11.2 million from S\$52.8 million as at 30 September 2019 to S\$64.0 million as at 31 March 2020. The increase was mainly due to loan extended to associates and receivables from construction of Pullman Maldives Maamutaa resort which was completed at the end of 2019.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**
- (Cont'd)

Review of Financial Position

Current Liabilities

As at 31 March 2020, current liabilities decreased by S\$29.1 million to S\$104.3 million compared to S\$133.4 million as of 30 September 2019. The decrease was mainly due to a decrease of S\$22.8 million in trade and other payables and lower bank borrowings.

The working capital of the Group improved from S\$1.0 million as at 30 September 2019 to S\$11.5 million as at 31 March 2020.

Non-Current Liabilities

Non-current liabilities increased by S\$5.7 million from S\$93.2 million as at 30 September 2019 to S\$98.9 million as at 31 March 2020 due mainly to recognition of lease liabilities as a result of the adoption SFRS (I) 16 *Lease*.

Review of Cash Flow Statement

For 1H2020, the Group generated a positive operating cash flow of S\$13.3 million before movements in the working capital. After taking into account changes in working capital, comprising mainly of a decrease of S\$1.0 million in trade and other receivables, a decrease of S\$7.3 million in contract assets and a decrease of S\$27.8 million in trade and other payables, the Group recorded a net cash outflow of S\$9.1 million from operations.

Net cash from investing activities of S\$0.1 million in 1H2020 was mainly attributable to S\$9.2 million loan extended to associates and joint ventures and investment of S\$0.3 million in joint ventures, which was offset by dividend of S\$8.2 million received from joint ventures and loan repayment of S\$2.1 million from associates.

Net cash used in financing activities of S\$12.5 million in 1H2020 was due mainly to dividend payment of S\$3.5 million, loan and interest repayments of S\$20.1 million, partially offset by proceed from bank borrowings of S\$11.5 million.

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

Not applicable as no forecast or prospect statement has been previously disclosed to shareholders.

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

Overview

We are facing an unprecedented situation where the coronavirus pandemic is affecting the entire world's health systems, industries and economies. The COVID-19 pandemic brings travel to a standstill. Even as countries slowly emerge from lockdown and ease travel restrictions, the global tourism and travel industry has remained the worst hit industry and will take some time to recover.

Singapore's economy is highly dependent on tourism and international trade, two sectors that have been severely affected by the coronavirus pandemic. According to advance estimates released by MTI on 26 March, the Singapore economy contracted by 2.2 per cent year-on-year in the first quarter of 2020. More significantly, the construction sector took the largest hit, shrinking 4.3 per cent year-on-year, a reversal from the 4.3 per cent growth in the previous quarter. The performance of the sector was weighed down primarily by a decline in private sector construction activities as a result of supply chain disruptions and delays in the return of foreign workers due to the lockdowns and travel restrictions implemented by other countries.

MTI has further downgrade Singapore's GDP growth forecast for 2020 to between -4 per cent and -1 per cent. On 28 April, MAS said that the Singapore economy will enter into a recession this year.

As the global COVID-19 situation is still evolving rapidly, there remains a significant uncertainty over the duration and intensity of the outbreak, which impacts various containment measures and fiscal policy implemented by the government. Moving forward, the Group will adapt to the evolving situation and will put our worker and employee welfare on priority. We expect a challenging operating environment in the months ahead as we anticipate travel restrictions, supply-chain disruptions and other uncertainties to continue.

Operationally, the Group is focusing on its capital and cash flow management to mitigate and manage the financial implications arising from the COVID-19. The Group has implemented various cost-cutting measures to conserve cash resources, including a 5 to 20 per cent pay cut for senior management, board members and employees, and is actively engaging our bankers to further enhance our financing facilities.

Building Construction

The Group's current construction projects consist mainly of National Skin Centre, Sky Everton condominium, The Antares condominium, Wilshire Residences condominium and Seaside Residences condominium. As at 31 March 2020, the Group's construction order book stood at approximately S\$270.5 million, which will stretch construction activities to FY2022.

10. **A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months. (Cont'd)**

Building Construction (Cont'd)

All construction work has been suspended since the start of the circuit breaker on 7 April. Prior to that, the supply of prefabricated bathroom units (PBUs) was disrupted as Malaysia went into lockdown on 18 March. We expect further delay in delivery of the PBUs after the lockdown, as the factory takes time to restart and resume normal production. During the circuit breaker, our team continues to work from home and liaise closely with architects, consultants and relevant authorities in respect of project planning and shop-drawing submission to authorities for approval. Besides regular technical and progress meetings via video conferencing with consultants, sub-contractors and clients, we are also working with consultants and clients on advance planning on workers' alternative accommodation, safe distancing and work site segregation to meet the pre-requisites set by BCA and MOM for restarting work when the circuit breaker is lifted.

Our workers, who are work permit and S Pass holders, have been serving their stay-home notice (SHN) since 20 April. Initially slated to end on 4 May the SHN has been extended to 18 May. During this period, about 85 per cent of our 289 workers are staying in dormitories and temporary living quarters on construction sites. As of 13 May, 19 of our workers have been diagnosed with COVID-19.

Property Development and Investment

Prices of private residential properties decreased by 1.0 per cent in the first quarter of 2020, before circuit breaker measures were imposed. Year on year, private home prices in the first quarter are still up 2.4 per cent from March 2019. As the circuit breaker period has been extended to 1 June, the closure of sales galleries and stay home measures will affect new home sales in the second quarter.

Given the uncertainties brought on by the coronavirus pandemic, we remain cautiously optimistic on the long-term prospects of the sector as we have seen Singapore's property market recovered after every economic crisis.

Despite suspension of all construction work until 1 June, we are on track to obtain TOP for Seaside Residences in the next few months. The project has attained sales of approximately 93.5 per cent to-date, with 55 units left unsold. Over at Mattar Road, The Antares has sold 34 units to-date.

Hotel Development and Investment

The geography of Maldives and the one island one resort concept has proved effective in containment of the virus. As of 14 May, the total number of COVID-19 cases in Maldives remained relatively low at 955.

Due to the COVID-19 outbreak, we have decided to close both Mercure Maldives Kooddoo Hotel and Pullman Maldives Maamutaa Resort for three months, from April to June. During this period, the staff are on reduced salaries and they will use the downtime to upskill and reskill. Over time, when the situation has stabilised and travel confidence has improved, our resorts will be ready for a strong recovery.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? **None.**

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of Dividend	Interim
Type of Dividend	Cash
Dividend Amount per share	0. 25 cents
Tax rate	Tax exempt (one-tier)

(c) Date payable

Not applicable.

(d) Books closure date.

Not Applicable

12. If no dividend has been declared/recommended, a statement to that effect.

The widespread of COVID-19 pandemic and the measures taken by governments to contain and fight the pandemic have caused serious disruptions to businesses. There is huge uncertainty on how wide the outbreak will spread and how long it will last, the operating environment is therefore expected to remain challenging in the months ahead. In view of these challenges, the directors therefore do not recommend an interim dividend as it is critical for the Group to conserve its cash resources so as to sustain its business operations.

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

The Group does not have a general mandate for IPT. There was no IPT in 1H2020.

14. Negative confirmation pursuant to Rule 705(5) of the SGX-ST Listing Manual

To the best of its knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial results of the Company and the Group for half year ended 31 March 2020 presented in this announcement, to be false or misleading in any material aspect.

15. Confirmation pursuant to Rule 720 (1) of the SGX-ST Listing Manual.

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) under Rule 720 (1) of the SGX-ST Listing Manual.

By Order of the Board

Leo Ting Ping Ronald
Executive Chairman and Chief Executive Officer
14 May 2020