



XMH

XMH HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No: 201010562M)

UNAUDITED SECOND QUARTER (“2Q2017”) AND FIRST HALF YEAR (“1H2017”) FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 OCTOBER 2016

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

(In S\$'000) Description	Group					
	Actual 2Q2017	Actual 2Q2016	Change %	Actual 1H2017	Actual 1H2016	Change %
Revenue	25,083	25,794	(2.8)	44,509	49,558	(10.2)
Cost of sales	(19,784)	(19,552)	1.2	(35,345)	(36,976)	(4.4)
Gross profit	5,299	6,242	(15.1)	9,164	12,582	(27.2)
Other income	1,553	239	NM	1,983	378	NM
Distribution expenses	(1,762)	(2,100)	(16.1)	(3,633)	(4,186)	(13.2)
Administrative expenses	(5,175)	(2,761)	87.4	(8,569)	(6,437)	33.1
Results from operating activities	(85)	1,620	NM	(1,055)	2,337	NM
Finance income	248	1,550	(84.0)	1,510	1,784	(15.4)
Finance costs	(341)	(250)	36.4	(576)	(411)	40.1
Net finance (cost) / income	(93)	1,300	NM	934	1,373	(32.0)
(Loss) / profit before share of results of an associated company	(178)	2,920	NM	(121)	3,710	NM
Share of results of an associated company	(23)	(43)	(46.5)	(24)	(53)	(54.7)
(Loss) / profit before tax	(201)	2,877	NM	(145)	3,657	NM
Tax credit/(expense)	113	(46)	NM	100	(83)	NM
(Loss) / profit after tax	(88)	2,831	NM	(45)	3,574	NM
Items that may be reclassified subsequently to profit or loss						
<i>Exchange differences arising from translation of the financial statements of the subsidiary corporations</i>	274	944	(71.0)	1,577	1,031	53.0
<i>Net changes in the fair value pertaining to acquisition of a subsidiary corporation</i>	-	-	NM	-	32	NM
<i>Net changes in the fair value of available-for-sale financial assets</i>	(55)	(147)	(62.6)	(97)	(147)	(34.0)
<i>Deferred tax arising from available-for-sale financial assets</i>	9	25	(64.0)	16	25	(36.0)
<i>Other comprehensive income for the period, net of tax</i>	228	822	(72.3)	1,496	941	59.0
Total comprehensive income for the period	140	3,653	(96.2)	1,451	4,515	(67.9)

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(In S\$'000) Description	Group					
	Actual 2Q2017	Actual 2Q2016	Change %	Actual 1H2017	Actual 1H2016	Change %
(Loss)/profit attributable to:						
Owners of the Company	101	2,885	(96.5)	292	3,595	(91.9)
Non-controlling interests	(189)	(54)	NM	(337)	(21)	NM
	(88)	2,831	NM	(45)	3,574	NM
Total comprehensive income/(expenses) attributable to:						
Owners of the Company	329	3,707	(91.1)	1,788	4,504	(60.3)
Non-controlling interests	(189)	(54)	NM	(337)	11	NM
	140	3,653	(96.2)	1,451	4,515	(67.9)

Note:

NM denotes not meaningful where there is no comparative or the fluctuation is more than 100%

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

(In S\$'000) Description	Group					
	Actual 2Q2017	Actual 2Q2016	Change %	Actual 1H2017	Actual 1H2016	Change %
Gain on disposal of property, plant and equipment	134	-	NM	134	-	NM
Share-based payment expense	(70)	(149)	(53.0)	(145)	(340)	(57.4)
Transfer of club membership	-	-	NM	-	(186)	NM
Other miscellaneous income	83	245	(66.1)	313	384	(18.5)
Rental income	176	-	NM	354	-	NM
Dividend income	23	11	NM	23	15	53.3
Allowance for impairment (loss)/gain on quoted equity securities	(14)	110	NM	(30)	5	NM
Allowance for trade receivables	(16)	-	NM	(45)	-	NM
Interest income	33	1	NM	35	2	NM
Interest expense	(341)	(250)	36.4	(576)	(411)	40.1
Net foreign exchange gain	191	1,537	(87.6)	1,451	1,767	(17.9)
Amortisation of land lease prepayment	-	(60)	NM	-	(118)	NM
Depreciation of property, plant and equipment	(1,440)	(254)	NM	(2,919)	(538)	NM
Amortisation of intangible assets	(301)	(291)	3.4	(602)	(631)	(4.6)
Write back of allowance for trade receivables	-	-	NM	-	36	NM
Bad debts written-off	(4)	-	NM	(4)	-	NM
Forfeiture deposits from customers	1,156	-	NM	1,178	-	NM

Note:

NM denotes not meaningful where there is no comparative or the fluctuation is more than 100%

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1(b) A statement of financial position (for the Company and Group), together with a comparative statement as at the end of the immediately preceding financial year.

(In S\$'000) Description	Group		Company	
	31 Oct 2016	30 Apr 2016	31 Oct 2016	30 Apr 2016
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment	75,864	76,324	67,993	-
Intangible assets	14,790	15,373	-	-
Other financial assets	713	824	-	-
Investment in subsidiary corporations	-	-	31,801	31,801
Investment in associate	183	207	-	-
Club memberships	98	209	-	-
Deferred tax assets	23	23	-	-
Total non-current assets	91,671	92,960	99,794	31,801
<u>Current assets</u>				
Inventories	33,000	28,575	-	-
Trade and other receivables	24,030	33,493	8,337	8,371
Prepayment	374	369	14	9
Contract work-in-progress	15,918	14,644	-	-
Asset held-for-sales	900	-	-	-
Cash and short-term fixed deposits	20,321	12,843	557	242
Tax recoverable	86	2	-	-
Total current assets	94,629	89,926	8,908	8,622
TOTAL ASSETS	186,300	182,886	108,702	40,423
LIABILITIES AND EQUITY				
<u>Current liabilities</u>				
Trade and other payables	40,803	46,598	26,691	983
Loans and borrowings	31,901	20,587	2,244	-
Current tax payables	565	1,450	26	147
Total current liabilities	73,269	68,635	28,961	1,130
<u>Non-current liabilities</u>				
Other payables	452	133	452	-
Loans and borrowings	40,360	41,211	39,576	-
Deferred tax liabilities	661	719	-	-
Total non-current liabilities	41,473	42,063	40,028	-
TOTAL LIABILITIES	114,742	110,698	68,989	1,130
NET ASSETS	71,558	72,188	39,713	39,293
EQUITY				
Equity attributable to owners of the Company				
Share capital	39,780	39,780	39,780	39,780
Reserve for own shares	(2,791)	(2,791)	(2,791)	(2,791)
Other reserves	(4,805)	(6,446)	1,964	1,819
Accumulated profits	36,996	38,930	760	485
	69,180	69,473	39,713	39,293
Non-controlling interests	2,378	2,715	-	-
Total equity	71,558	72,188	39,713	39,293
TOTAL EQUITY AND LIABILITIES	186,300	182,886	108,702	40,423

**SECOND QUARTER AND FIRST HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT
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- 1(c) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the financial period reported on with comparative figures as at the end of the immediately preceding financial year:**

Description (in S\$'000)	Group	
	31 Oct 2016	30 Apr 2016
Amount repayable in one year or less, or on demand		
- Secured ⁽¹⁾	31,901	20,587
Amount repayable after one year		
- Secured	40,360	41,211
Total	72,261	61,798

The Group has certain banking facilities which are secured by the following: -

- (a) Legal mortgage on factory buildings of the Group; and
- (b) Corporate guarantee by the Company.

Note:

- (1) The type of secured loans payable in one year or less, or on demand consists of the following;

Description (in S\$'000)	Group	
	31 Oct 2016	30 Apr 2016
Bills payables	10,575	11,080
Short term revolving credit	18,924	6,908
Finance leases	99	64
Term loans	2,273	2,535
Bank overdrafts	30	-
Total	31,901	20,587

**SECOND QUARTER AND FIRST HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT
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1(d) A consolidated statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

(In S\$'000) Description	3 months ended		6 months ended	
	2Q2017	2Q2016	1H2017	1H2016
<u>Cash flows from operating activities</u>				
(Loss)/profit before tax	(201)	2,877	(145)	3,657
Adjustments for:				
Amortisation of land lease prepayment	-	60	-	118
Amortisation of intangible assets	301	291	602	631
Depreciation of property, plant and equipment	1,440	254	2,919	538
Gain on disposal of property, plant and equipment	(134)	-	(134)	-
Share-based payment expense	70	149	145	340
Interest income	(33)	(1)	(35)	(2)
Interest expense	341	250	576	411
Dividend income from quoted equity securities	(23)	(11)	(23)	(15)
Bad debt written-off	4	-	4	-
Write back of allowance for trade receivables	-	-	-	(36)
Allowance for impairment loss/(gain) on quoted equity securities	14	(110)	30	(5)
Allowance for trade receivables	16	-	45	-
Share of results of an associated company	23	43	24	53
Transfer of club membership	-	-	-	186
Net unrealised foreign exchange loss/(gain)	1,054	(1,274)	(345)	(931)
	2,872	2,528	3,663	4,945
Changes in inventories	(4,786)	154	(4,425)	1,513
Changes in trade and other receivables	5,859	(4,264)	9,414	(1,358)
Changes in prepayment	43	(28)	(5)	32
Changes in contract in work-in-progress	(2,969)	(4,245)	(1,274)	(3,522)
Changes in trade and other payables	7,507	(1,912)	(4,298)	(12,313)
Cash generated from/(used in) operations	8,526	(7,767)	3,075	(10,703)
Income tax paid	(831)	(481)	(974)	(860)
Net cash generated from/(used in) operating activities	7,695	(8,248)	2,101	(11,563)
<u>Cash flows from investing activities</u>				
Interest received	33	1	35	2
Dividend received	23	11	23	15
Proceeds from sale of property, plant and equipment	134	-	134	82
Decreased in deferred payment for acquisition of a subsidiary	-	(4,356)	-	(4,356)
Acquisition of property, plant and equipment	(427)	(9,074)	(612)	(23,893)
Net cash used in investing activities	(237)	(13,418)	(420)	(28,150)

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(In S\$'000) Description	3 months ended		6 months ended	
	2Q2017	2Q2016	1H2017	1H2016
Cash flows from financing activities				
Proceeds from borrowings	-	9,080	-	19,256
Repayment of borrowings	(578)	(131)	(1,203)	(214)
Proceeds from short-term revolving credit	8,705	8,064	14,370	15,014
Repayment of short-term revolving credit	(1,223)	(5,333)	(3,004)	(5,860)
Dividend paid	(2,226)	(3,561)	(2,226)	(3,561)
Proceeds from trust receipts	9,087	14,697	23,432	20,901
Repayment of trust receipts	(15,708)	(13,170)	(24,347)	(20,506)
Proceeds from finance lease liabilities	200	-	200	-
Repayment of finance lease liabilities	(21)	(25)	(45)	(53)
Interest paid	(341)	(250)	(576)	(411)
Net cash (used in)/generated from financing activities	(2,105)	9,371	6,601	24,566
Net increase/(decrease) in cash and cash equivalents	5,353	(12,295)	8,282	(15,147)
Cash and cash equivalents at beginning of the period	16,088	21,562	12,768	24,494
Effects of exchange rate fluctuations on cash held	(1,188)	509	(797)	429
Cash and cash equivalents at end of financial period	20,253	9,776	20,253	9,776
Represented by:				
Cash at bank and on hand	10,260	9,787	10,260	9,787
Short-term fixed deposits	10,061	68	10,061	68
	20,321	9,855	20,321	9,855
Less: Fixed deposits under pledged	(38)	(68)	(38)	(68)
Bank overdrafts	(30)	(4)	(30)	(4)
Effect of exchange rate fluctuation on fixed deposits under pledged	-	(7)	-	(7)
Cash and cash equivalents in the consolidated statement of cash flows	20,253	9,776	20,253	9,776

**SECOND QUARTER AND FIRST HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT
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- 1(e) A statement (for the issuer and group) 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.**

COMPANY Description (in S\$'000)	Share Capital	Treasury Shares	Share Option Reserve	Accumulated Profits	Total
As at 1 May 2016	39,780	(2,791)	1,819	485	39,293
Profit for the period	-	-	-	330	330
Share based payment transactions	-	-	75	-	75
As at 31 July 2016	39,780	(2,791)	1,894	815	39,698
Profit for the period	-	-	-	2,171	2,171
Share based payment transactions	-	-	70	-	70
Dividend paid on ordinary shares	-	-	-	(2,226)	(2,226)
As at 31 October 2016	39,780	(2,791)	1,964	760	39,713

COMPANY Description (in S\$'000)	Share Capital	Treasury Shares	Share Option Reserve	Accumulated Profits	Total
As at 1 May 2015	35,424	(2,791)	1,320	359	34,312
Profit for the period	-	-	-	90	90
Share based payment transactions	-	-	191	-	191
As at 31 July 2015	35,424	(2,791)	1,511	449	34,593
Profit for the period	-	-	-	3,569	3,569
Share based payment transactions	-	-	149	-	149
Dividend paid on ordinary shares	-	-	-	(3,561)	(3,561)
Issue of ordinary shares	4,356	-	-	-	4,356
As at 31 October 2015	39,780	(2,791)	1,660	457	39,106

**SECOND QUARTER AND FIRST HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT
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GROUP Description (in S\$'000)	Share Capital	Treasury Shares	Share Option Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Accumulated Profits	Attributable to Owners of the Company	Non- controlling Interests	Total
As at 1 May 2016	39,780	(2,791)	1,819	75	(8,340)	38,930	69,473	2,715	72,188
Profit/(loss) for the period	-	-	-	-	-	191	191	(148)	43
Other comprehensive income/(expenses)									
Exchange differences arising from translation of the financial statements of the subsidiary corporations	-	-	-	-	1,303	-	1,303	-	1,303
Net changes in the fair value of available-for-sale financial assets	-	-	-	(42)	-	-	(42)	-	(42)
Deferred tax arising from available-for-sale financial assets	-	-	-	7	-	-	7	-	7
Total other comprehensive (expenses)/income	-	-	-	(35)	1,303	-	1,268	-	1,268
Total comprehensive (expenses)/income for the period	-	-	-	(35)	1,303	191	1,459	(148)	1,311
Transaction with owners, recognised directly in equity									
Contributions by and distributions to owners									
Share based payment transactions	-	-	75	-	-	-	75	-	75
As at 31 July 2016	39,780	(2,791)	1,894	40	(7,037)	39,121	71,007	2,567	73,574
Profit/(loss) for the period	-	-	-	-	-	101	101	(189)	(88)
Other comprehensive income/(expenses)									
Exchange differences arising from translation of the financial statements of the subsidiary corporations	-	-	-	-	274	-	274	-	274
Net changes in the fair value of available-for-sale financial assets	-	-	-	(55)	-	-	(55)	-	(55)
Deferred tax arising from available-for-sale financial assets	-	-	-	9	-	-	9	-	9
Total other comprehensive (expenses)/income	-	-	-	(46)	274	-	228	-	228
Total comprehensive (expenses)/income for the period	-	-	-	(46)	274	101	329	(189)	140
Transaction with owners, recognised directly in equity									
Contributions by and distributions to owners									
Dividends paid on ordinary shares	-	-	-	-	-	(2,226)	(2,226)	-	(2,226)
Share based payment transactions	-	-	70	-	-	-	70	-	70
Total transaction with owners	-	-	70	-	-	(2,226)	(2,156)	-	(2,156)
As at 31 October 2016	39,780	(2,791)	1,964	(6)	(6,763)	36,996	69,180	2,378	71,558

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GROUP Description (in S\$'000)	Share Capital	Treasury Shares	Share Option Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Accumulated Profits	Attributable to Owners of the Company	Non-controlling Interests	Total
As at 1 May 2015	35,424	(2,791)	1,320	122	(11,007)	34,547	57,615	2,754	60,369
Profit for the period	-	-	-	-	-	710	710	33	743
Other comprehensive income									
Exchange differences arising from translation of the financial statements of the subsidiary corporations	-	-	-	-	87	-	87	-	87
Net changes in the fair value pertaining to acquisition of a subsidiary corporation	-	-	-	-	-	-	-	32	32
Total other comprehensive income	-	-	-	-	87	-	87	32	119
Total comprehensive income for the period	-	-	-	-	87	710	797	65	862
Transaction with owners, recognised directly in equity									
Contributions by and distributions to owners									
Share based payment transactions	-	-	191	-	-	-	191	-	191
As at 31 July 2015	35,424	(2,791)	1,511	122	(10,920)	35,257	58,603	2,819	61,422
Profit/(loss) for the period	-	-	-	-	-	2,885	2,885	(54)	2,831
Other comprehensive (expenses)/income									
Exchange differences arising from translation of the financial statements of the subsidiary corporations	-	-	-	-	944	-	944	-	944
Net changes in the fair value of available-for sale financial assets	-	-	-	(147)	-	-	(147)	-	(147)
Deferred tax arising from available-for-sale financial assets	-	-	-	25	-	-	25	-	25
Total other comprehensive (expenses)/income	-	-	-	(122)	944	-	822	-	822
Total comprehensive (expenses)/income for the period	-	-	-	(122)	944	2,885	3,707	(54)	3,653
Transaction with owners, recognised directly in equity									
Contributions by and distributions to owners									
Dividends paid on ordinary shares	-	-	-	-	-	(3,561)	(3,561)	-	(3,561)
Share based payment transactions	-	-	149	-	-	-	149	-	149
Issue of ordinary shares	4,356	-	-	-	-	-	4,356	-	4,356
Total transaction with owners	4,356	-	149	-	-	(3,561)	944	-	944
As at 31 October 2015	39,780	(2,791)	1,660	-	(9,976)	34,581	63,254	2,765	66,019

**SECOND QUARTER AND FIRST HALF YEAR FINANCIAL STATEMENTS ANNOUNCEMENT
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- 1(f) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or any other purpose since the end of the previous period reported on.**

As at 31 October 2016, the Company's issued and fully paid up capital (excluding treasury shares) comprises of 111,281,821* (31 October 2015: 445,127,292 before share consolidation was effected) ordinary shares. The changes in the company's share capital in 6M2017 and 6M2016 are set out below.

Description	6M2017	
	Number of Shares*	Share Capital (\$'000)
Balance at beginning and at end of period	111,281,821	39,780

Description	6M2016	
	Number of Shares	Share Capital (\$'000)
Balance at beginning of period	434,126,661	35,424
Issue of ordinary shares	11,000,631	4,356
Balance at end of period	445,127,292	39,780
Balance at beginning and at end of period after share consolidation of 4:1	111,281,821	39,780

* The Company undertook a share consolidation exercise to consolidate every four (4) existing ordinary shares in the capital of the Company into one (1) ordinary share. The share consolidation was completed and effected on 22 February 2016.

Purchase of treasury shares

There was no share buy-back transaction in 2Q2017. As at 31 October 2016, the total consideration for the treasury shares held under the share buy-back scheme was S\$2,791,000 for a total of 3,230,750 shares.

The number of treasury shares held by the Company represents 2.90% (31 October 2015: 2.90%) of the total number of issued shares (excluding treasury shares) of the Company as at 31 October 2016.

XMH Share Option Scheme

As at 31 October 2016, the outstanding balance of unexercised options under the XMH Share Option Scheme totaled 4,630,000 shares (31 October 2015: 14,315,000 before share consolidation was effected) or 4.04% (31 October 2015: 3.13 %) of total issued shares in the capital of the Company.

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- 1(g) To show the number of shares that may be issued on conversion of all the outstanding convertibles, as at the end of current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Not applicable.

- 1(h)(i) To show the total number of issued shares excluding treasury shares as at the end of current financial year reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Description	31 October 2016	31 October 2015
Total number of shares issued	114,512,571	458,050,292
Less: Treasury shares	(3,230,750)	(12,923,000)
Total	111,281,821	445,127,292
Total at end of period after share consolidation of 4:1	111,281,821	111,281,821

- 1(h)(ii) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Description	31 October 2016	31 October 2015
Balance at beginning and at end of period	3,230,750	12,923,000
Balance at beginning and at end of period after share consolidation of 4:1	3,230,750	3,230,750

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

The figures for the quarters ended 31 October 2016 and 31 October 2015 have not been audited or reviewed by auditors.

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting year as those adopted for the audited consolidated financial statements for the financial year ended 30 April 2016.

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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 (“EPS”) of the group for the current financial period reported on and the corresponding period of the immediately preceding financial period, after deducting any provision for preference dividends.**

Earnings per ordinary share for the period based on net profit attributable to shareholders:-

Description	3 months ended		6 months ended	
	2Q2017	2Q2016*	1H2017	1H2016*
EPS (based on consolidated net profit attributable to owners):-				
a) Based on the weighted average no. of ordinary shares in issue (cents)	0.09	2.60	0.26	3.28
b) On a fully diluted basis (cents)	0.09	2.60	0.26	3.28
Weighted average no. of shares in issue during the period used in the computing of EPS	111,281,821	110,773,641 ⁽²⁾	111,281,821	109,652,653 ⁽²⁾
Weighted average no. of shares on fully diluted basis during the period used in the computing of EPS	111,412,417 ⁽¹⁾	110,903,162 ⁽³⁾	111,367,194 ⁽¹⁾	109,760,644 ⁽³⁾

Notes:

- (1) The figures are computed taking into account the potential ordinary shares to be issued for the share options granted in September 2012, 2013, 2014, 2015 and 2016.
(2) The figures are computed taking into account the potential ordinary shares to be issued for the share options granted in September 2011, 2012, 2013, 2014 and 2015 and ordinary shares issued for 2nd tranche payment of price consideration of S\$4,356,250 for the acquisition of the MPG Group.
(3) The figures are computed taking into account the potential ordinary shares to be issued for the share options granted in September 2011, 2012, 2013, 2014 and 2015.

* Adjusted EPS for share consolidation 4:1 during the FY2016.

7. **Net asset value (for the Company 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**

Description	Group		Company	
	31 October 2016	30 April 2016	31 October 2016	30 April 2016
Net asset value per ordinary share based on existing share capital (cents)	62.17	62.43	35.69	35.31
Number of shares at end of the period/year	111,281,821	111,281,821	111,281,821	111,281,821

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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.

STATEMENT OF COMPREHENSIVE INCOME REVIEW

Quarter ended 31 October 2016 ("2Q2017") vs quarter ended 31 October 2015 ("2Q2016")

(i) Revenue

Revenues decreased by approximately S\$711,000 or 2.8% from S\$25.8 million in 2Q2016 to S\$25.1 million in 2Q2017. This was due to a decrease in revenue recorded in the Project business segment which was affected by weak market sentiment. However, this was partially offset by the improved sales from the Distribution business segment.

(ii) Cost of Sales and Gross Profit Margin

Cost of sales increased by approximately S\$232,000 or 1.2% from S\$19.6 million in 2Q2016 to S\$19.8 million in 2Q2017.

Gross profit decreased by approximately S\$943,000 or 15.1% from S\$6.2 million in 2Q2016 to S\$5.3 million in 2Q2017.

Gross profit margin was 21.1% in 2Q2017 as compared to 24.2% of 2Q2016. This was mainly due to intense competition across all business segments.

(iii) Other Income

Other income increased by approximately S\$1.3 million from S\$239,000 in 2Q2016 to S\$1.6 million in 2Q2017. This was due to:

- (i) Forfeiture of deposits from customers;
- (ii) Rental income generated from sub-letting part of the new factory building at 55 Tuas Crescent ("Tuas"); and
- (iii) Gain on disposal of fixed assets.

(iv) Distribution Expenses

Distribution expenses decreased by approximately S\$338,000 or 16.1%, from S\$2.1 million in 2Q2016 to S\$1.8 million in 2Q2017. This was mainly due to overprovision of bonus in prior year.

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(v) Administrative Expenses

Administrative expenses increased by approximately S\$2.4 million or 87.4%, from S\$2.8 million in 2Q2016 to S\$5.2 million in 2Q2017. This was mainly due to:

- (i) Increase in depreciation charge of approximately S\$1.1 million arising from completion of new factory in late FY2016;
- (ii) 2Q2016 included the reversal of liability of S\$782,000 no longer required;
- (iii) Increase in property taxes of approximately S\$218,000 due to completion of new factory; and
- (iv) Increase in staff cost of approximately S\$421,000 was mainly due to:
 - Higher headcount from one of our subsidiaries for the design and business development departments; and
 - For 2Q2017, we accrued unutilised leave provision on a monthly basis as compared to accrual at financial year end for FY2016.

(vi) Net Finance Cost / Income

The Group registered net finance cost of approximately S\$93,000 in 2Q2017 as compared to net finance income of approximately S\$1.3 million in 2Q2016. This was due to:

- (i) Decrease in net foreign exchange gain recorded in 2Q2017 as compared to 2Q2016. This was because of the transfer of Singapore dollars ("SGD") loans for the new factory building in Tuas from a subsidiary (functional currency in Japanese Yen ("JPY")) to the holding company (functional currency in SGD). As such the loan is now not exposed to fluctuation of JPY; and
- (ii) Higher interest cost due to loans for the new factory building in Tuas.

(vii) Tax Credit

The Group registered tax credit of approximately S\$113,000 in 2Q2017 as compared to tax expense of S\$46,000 in 2Q2016. This was due to:

- (i) Reversal for overprovision of tax expenses in prior years; and
- (ii) Tax refund for normal and enhanced capital allowances on the intellectual property right previously not allowed.

First half year ended 31 October 2016 ("1H2017") vs first half year ended 31 October 2015 ("1H2016")

(ii) Revenue

Revenues decreased by approximately S\$5.1 million or 10.2% from S\$49.6 million in 1H2016 to S\$44.5 million in 1H2017. This was due to a decrease in revenue recorded in the Project business segment which was affected by weak market sentiment. However, this was partially offset by the improved sales from the Distribution business segment.

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(iii) Cost of Sales and Gross Profit Margin

Cost of sales decreased by approximately S\$1.6 million or 4.4% from S\$36.9 million in 1H2016 to S\$35.3 million in 1H2017.

Gross profit decreased by approximately S\$3.4 million or 27.2% from S\$12.6 million in 1H2016 to S\$9.2 million in 1H2017.

Gross profit margin was 20.6% in 1H2017 as compared to 25.4% of 1H2016. This was due to intense competition across all business segments.

(iv) Other Income

Other income increased by approximately S\$1.6 million from S\$378,000 in 1H2016 to S\$2.0 million in 1H2017. This was due to:

- (i) Forfeiture of deposits from customers;
- (ii) Rental income generated from sub-letting part of the new factory building at 55 Tuas Crescent ("Tuas"); and
- (iii) Gain on disposal of fixed assets.

(v) Distribution Expenses

Distribution expenses decreased by approximately S\$553,000 or 13.2%, from S\$4.2 million in 1H2016 to S\$3.6 million in 1H2017. This was mainly due to overprovision of bonus in prior year and decreased travelling expenses in 1H2017.

(vi) Administrative Expenses

Administrative expenses increased by approximately S\$2.2 million or 33.1%, from S\$6.4 million in 1H2016 to S\$8.6 million in 1H2017. This was mainly due to:

- (i) Increase in depreciation charge of approximately S\$2.3 million due to completion of new factory in late FY2016;
- (ii) 1H2016 included the reversal of liability of S\$782,000 no longer required; and
- (iii) Increase in property taxes of approximately S\$234,000 due to completion of new factory building.

(vii) Net Finance Income

Net finance income decreased by approximately S\$439,000 in 1H2017 or 32.0% from S\$1.4 million in 1H2016 to S\$0.9 million in 1H2017. This was mainly due to:

- (i) Net decrease in foreign exchange gain by approximately S\$316,000. This was due to weakening of Ringgit Malaysia against SGD and strengthening of Euro against SGD; and
- (ii) Finance costs increase by approximately S\$164,000. This was mainly due to the loans for the new factory building in Tuas.

(viii) Tax Credit

The Group registered tax credit of approximately S\$100,000 in 1H2017 as compared to tax expense of S\$83,000 in 1H2016. This was due mainly to:

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- (i) Reversal for overprovision of tax expenses in prior years; and
- (ii) Tax refund for normal and enhanced capital allowances on the intellectual property right previously not allowed.

STATEMENT OF FINANCIAL POSITION REVIEW

The Group's shareholders' funds as at 31 October 2016 stood at S\$69.2 million as compared to S\$69.5 million at the end of the immediate preceding financial year ended on 30 April 2016.

(i) Property, plant and equipment

The decrease in property, plant and equipment of approximately S\$460,000 was due to:

- a. Depreciation charged during the financial period; and
- b. Reclassification of leasehold property in Sungei Kadut to asset held-for-sale.

This was partially offset by:

- c. Translation adjustment of JPY at the time of transfer for factory building in Tuas from a subsidiary (functional currency in JPY) to Holding Company (functional currency in SGD) in Aug 2016; and
- d. Acquisition of fixed assets during the financial period.

(ii) Intangible assets

Intangible assets comprised of:

- a. Goodwill of approximately S\$11.8 million; and
- b. Order backlog, customer base and intellectual property rights of approximately S\$3.0 million.

The decrease was due to amortization charged during the financial period.

(iii) Inventories

Inventories increased by approximately S\$4.4 million, from S\$28.6 million as at 30 April 2016 to S\$33.0 million as at 31 October 2016. The increase was mainly to cater for customers' orders.

(iv) Trade and other receivables

Trade and other receivables decreased by approximately S\$9.5 million, from S\$33.5 million as at 30 April 2016 to S\$24.0 million as at 31 October 2016 was mainly due to improved collections during the financial period.

(v) Contract work-in-progress

Contract work-in-progress increased from S\$14.6 million as at 30 April 2016 to S\$15.9 million as at 31 October 2016 as contracts won progressed to work-in-progress stage.

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(vi) Trade and other payables

Trade and other payables stood at approximately S\$40.8 million as at 31 October 2016, as compared to S\$46.6 million as at 30 April 2016. The decrease of approximately S\$5.8 million was mainly due to:

- a. Settlement of amount due to trade suppliers; and
- b. Lesser advance payments received.

(vii) Loans and borrowings

Loans and borrowings stood at approximately S\$72.3 million as at 31 October 2016, an increase of approximately S\$10.5 million, from S\$61.8 million as at 30 April 2016. The increase was mainly due to drawdown of short-term revolving credit for operation use which was partially offset by the repayment of loan instalment due.

STATEMENT OF CASH FLOW REVIEW

The Group registered net cash generated from operating activities of approximately S\$2.1 million for the six months ended 31 October 2016. The increase of approximately S\$13.7 million, from net cash used of S\$11.6 million against corresponding period was mainly due to increased collection from trade receivables and decreased payment for trade and other payables. This was partially offset by purchase of inventories.

Net cash used in investing activities amounted to approximately S\$420,000, lower than S\$28.2 million of previous corresponding period. This was due to:

- (i) Previous corresponding period includes deferred payment for acquisition of a subsidiary; and
- (ii) Decrease in acquisition of property, plant and equipment in current period as compared to previous corresponding period.

Net cash generated from financing activities was approximately S\$6.6 million lower than S\$24.6 million of corresponding period. This was mainly due to drawdown of loans in previous corresponding period to finance the construction of new factory building in Tuas.

In view of the above, overall net increase in cash was approximately S\$8.3 million in 1H2017 as compared to net cash decrease of S\$15.1 million in 1H2016.

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

Not applicable.

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10. Commentary on the significant trends and 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.

The weakness in the oil and marine markets and cost-cutting measures by companies in these sectors have resulted in softer demand and intensified competition across the industries in which the Group operates. The recovery of the overall economy is expected to be slow as the oil and marine industries continue to adjust to ongoing macroeconomic factors.

Coal markets on the other hand have seen coal prices rise during the year due to Indonesia export to China. A continuation of this could be beneficial for the Group in the medium to long term as coal exports in Indonesia may increase, which could support demand for transport vessels.

In dealing with the challenges ahead, the Group continues to look out for opportunities which will grow its market presence in the region. The Group aims to focus on building up its order book and strengthening its diversified business model to provide some safeguard against the competitive market.

Going forward, the Group will continue to take a conservative approach in all aspects of its operations to improve cost efficiencies and minimize business risk in the challenging environment.

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 period
Any dividend declared for the corresponding period of the immediately preceding financial period?**

None

c) Date payable:

Not applicable.

d) Books Closure Date:

Not applicable.

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

Not applicable.

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- 13. If the Company has obtained a general mandate from shareholders for interested person transactions (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 sought a general mandate for interested person transaction(s) from the shareholders.

- 14. Confirmation pursuant to Rule 705(5) of the listing manual**

The Board of Directors of the Company hereby confirms to the best of its knowledge that nothing has come to its attention which may render the unaudited interim financial results for the six months ended 31 October 2016 to be false or misleading in any material aspect.

- 15. Confirmation pursuant to Rule 720(1) of the listing manual**

The Company hereby confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7.

BY ORDER OF THE BOARD
Mr. Tan Tin Yeow
Chairman and Managing Director
6 December 2016