


GSH CORPORATION LIMITED
First Half and Six Months Financial Statements for the Period Ended 30/06/2020
PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the 1st Half and 6 Months Ended 30 June**

	Half Year Ended 30 June		
	30.6.2020	30.6.2019	+/-
	Unaudited S\$'000	Unaudited S\$'000	%
Revenue	65,787	57,346	14.7%
Cost of sales	(43,198)	(26,774)	61.3%
Gross profit	22,589	30,572	(26.1%)
Gross profit margin	34%	53%	(35.6%)
Other income	3,124	1,393	Nm
Distribution and selling expenses	(1,279)	(1,453)	(12.0%)
Administrative expenses	(9,145)	(12,677)	(27.9%)
Other expenses	(1,870)	(21)	Nm
Operating profit	13,419	17,814	(24.7%)
Depreciation	(5,168)	(5,619)	(8.0%)
Exchange gain/(loss)	1,105	(674)	Nm
Finance expenses	(9,955)	(11,028)	(9.7%)
Finance income	680	971	(30.0%)
Net change in fair value of financial derivatives	(443)	(639)	(30.7%)
Share of profit of equity-accounted investee	-	4,083	Nm
(Loss)/Profit before tax	(362)	4,908	Nm
Taxation	(394)	(2,105)	(81.3%)
(Loss)/Profit for the period	(756)	2,803	Nm
Attributable to:			
Owners of the Company	395	1,638	(75.9%)
Non-controlling interests	(1,151)	1,165	Nm
	(756)	2,803	Nm

	Half Year Ended 30 June		
	30.6.2020	30.6.2019	+/-
	Unaudited S\$'000	Unaudited S\$'000	%
(Loss)/Profit for the period	(756)	2,803	Nm
Other comprehensive income ("OCI"):			
<u>Items that will not be reclassified to profit or loss:</u>			
Equity investments at fair value through other comprehensive income - net change in fair value	(5,006)	4,085	Nm
Equity investments at fair value through other comprehensive income – reclassified to retained earnings	(795)	-	Nm
<u>Items that are or may be reclassified subsequently to profit or loss:</u>			
Debt investments at fair value through other comprehensive income - net change in fair value	(289)	1,873	Nm
Debt investments at fair value through other comprehensive income – Loss on derecognition reclassified to profit or loss	1,851	-	Nm
Effective portion of changes in fair value of cash flow hedges	-	498	Nm
Exchange differences on monetary items forming part of net investments in a foreign operation	(2,201)	(793)	Nm
Foreign currency translation differences relating to foreign operations	(1,666)	(1,992)	(16.4%)
Share of foreign currency translation differences of equity-accounted investees	-	5	Nm
Total comprehensive income for the period	(8,862)	6,479	Nm
Attributable to:			
Owners of the Company	(7,648)	5,776	Nm
Non-controlling interests	(1,214)	703	Nm
	(8,862)	6,479	Nm

Notes to Group profit and loss account

1 a(i) Pre-tax profit of the Group is arrived at after charging/(crediting) the following:

	1st Half Ended 30 June		
	30.6.2020 Unaudited S\$'000	30.6.2019 Unaudited S\$'000	+/- %
Personnel expenses*	9,464	13,511	(30.0%)
Non-executive directors' fees	180	177	1.6%
Executive directors' remuneration	600	762	(21.3%)
Depreciation of property, plant & equipment	5,168	5,619	(8.0%)
Foreign exchange (gain)/loss	(1,105)	674	Nm
Rental income	(330)	(438)	(24.6%)
Write back of allowance for inventory obsolescence	(1)	(1)	Nm
Provision/(Reversal) of impairment loss on trade receivables	14	(22)	Nm
Dividend income from quoted investments	(198)	(523)	(62.1%)
Dividend income from unquoted investments	(1,042)	-	Nm
Loss on disposal of property, plant and equipment	3	19	(82.4%)
Debt investments at fair value through other comprehensive income – Loss on derecognition reclassified from OCI**	1,851	-	Nm
Adjustment for under/(over) provision of tax in respective of prior years	-	(116)	Nm

* Personnel expenses inclusive of executive directors' remuneration

**Realised fair value loss arising from disposal of debt investments in 1H 2020, which was transferred from Fair Value Reserve under OCI.

Nm - Not meaningful

1(b)(i) A balance sheet (for the company and group), together with a comparative statement as at the end of the immediately preceding financial year.

CONSOLIDATED FINANCIAL POSITION AS AT 30 JUNE

	Group		Company	
	30.06.2020 Unaudited S\$'000	31.12.2019 Audited S\$'000	30.06.2020 Unaudited S\$'000	31.12.2019 Audited S\$'000
ASSETS				
Property, plant and equipment	437,096	410,671	28,423	28,737
Investment property	4,862	4,694	-	-
Subsidiaries	-	-	291	291
Other investments	16,555	85,553	16,555	85,553
Other receivables	1,787	1,819	-	-
Non-current assets	460,300	502,737	45,269	114,581
Development properties	452,907	354,545	-	-
Contract costs	17,730	27,074	-	-
Contract assets	34,322	32,220	-	-
Assets held for sale	54,862	53,772	-	-
Inventories	20,595	9,890	-	-
Trade receivables	24,342	21,583	22	44
Other receivables, deposits and prepayments	6,617	38,192	1,965	2,084
Amounts due from subsidiaries (non-trade)	-	-	547,555	530,125
Amounts due from related parties	559	567	-	-
Time deposits	5,279	8,264	-	-
Cash and cash equivalents	95,885	113,089	31,250	60,564
Current assets	713,098	659,196	580,792	592,817
Total assets	1,173,398	1,161,933	626,061	707,398
EQUITY				
Share capital	343,458	343,458	343,458	343,458
Treasury shares	(5,580)	(5,131)	(5,580)	(5,131)
Reserves	(39,590)	(31,549)	581	4,820
Accumulated profits	81,167	84,869	(6,644)	4,645
Equity attributable to equity holders of the Company	379,455	391,647	331,815	347,792
Non-controlling interests	113,312	87,669	-	-
Total equity	492,767	479,316	331,815	347,792
LIABILITIES				
Other payables and accruals	381	373	-	-
Contract liabilities	1,170	1,291	-	-
Loans and borrowings	224,946	317,524	70,908	160,956
Deferred tax liabilities	50,098	52,268	-	-
Non-current liabilities	276,595	371,456	70,908	160,956
Trade payables	39,120	16,357	-	-
Other payables and accruals	92,843	52,529	1,782	3,188
Contract liabilities	3,499	6,733	-	-
Amounts due to subsidiaries (non-trade)	-	-	15,416	23,730
Amounts due to related parties	38,033	38,336	-	-
Derivative financial liabilities	800	356	800	209
Loans and borrowings	227,514	196,155	205,280	171,463
Current tax liabilities	2,227	695	60	60
Current liabilities	404,036	311,161	223,338	198,650
Total liabilities	680,631	682,617	294,246	359,606
Total equity and liabilities	1,173,398	1,161,933	626,061	707,398

1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

As at 30 June 2020			As at 31 December 2019		
Secured	Unsecured	Total	Secured	Unsecured	Total
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
43,764	183,750	227,514	86,155	110,000	196,155

Amount repayable after one year

As at 30 June 2020			As at 31 December 2019		
Secured	Unsecured	Total	Secured	Unsecured	Total
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
174,946	50,000	224,946	177,524	140,000	317,524

Total borrowings

As at 30 June 2020			As at 31 December 2019		
Secured	Unsecured	Total	Secured	Unsecured	Total
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
218,710	233,750	452,460	263,679	250,000	513,679
- Attributable to owners of the Company		427,513	- Attributable to owners of the Company		487,381
- Attributable to non-controlling interests		24,947	- Attributable to non-controlling interests		26,298

Less: Cash and cash equivalents and time deposit

As at 30 June 2020			As at 31 December 2019		
S\$'000			S\$'000		
101,164			121,353		
- Attributable to owners of the Company		S\$'000	- Attributable to owners of the Company		S\$'000
- Attributable to non-controlling interests		87,021	- Attributable to non-controlling interests		115,785
		14,143			5,568

Net borrowings

As at 30 June 2020			As at 31 December 2019		
S\$'000			S\$'000		
351,296			392,326		
- Attributable to owners of the Company		S\$'000	- Attributable to owners of the Company		S\$'000
- Attributable to non-controlling interests		340,492	- Attributable to non-controlling interests		371,596
		10,804			20,730

Details of any collateral

As at 30 June 2020, the Group's borrowings were secured by legal charges on the Group's development properties of S\$224.0 million (2019: S\$215.3 million), property, plant and equipment of S\$184.7 million (2019: S\$185.0 million), time deposits of S\$5.3 million (2019: S\$8.3 million) and cash and cash equivalents of S\$30.3 million (2019: S\$32.5 million).

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

GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP	
	1st Half Ended 30 June	2019
	2020	2019
	Unaudited	Unaudited
	S\$'000	S\$'000
Cash flows from operating activities		
(Loss)/Profit for the period	(756)	2,803
Adjustment for:		
Depreciation of property, plant & equipment	5,168	5,619
Interest expense	9,955	11,028
Interest income	(680)	(971)
Write back of allowance for inventory obsolescence	(1)	(1)
Loss on disposal of property, plant & equipment	3	19
Provision/(Reversal) of impairment loss on trade receivables	14	(22)
Net foreign exchange gain/ (loss) arising from revaluation of fixed deposit pledged	48	49
Debt investments at fair value through other comprehensive income – Loss on derecognition reclassified from OCI	1,851	-
Share of profit of equity-accounted investee	-	(4,083)
Dividend income	(1,240)	(523)
Net change in fair value of financial derivatives	443	639
Tax expense	394	2,105
Operating cashflows before working capital changes	<u>15,199</u>	<u>16,662</u>
Change in		
Development properties	(56,277)	(29,318)
Contract costs	10,097	1,856
Contracts assets/liabilities, net	(3,393)	(1,874)
Inventories	(10,704)	8
Trade and other receivables	1,909	(7,945)
Trade and other payables	6,747	19,084
Balances with related parties	-	105
Cash used in operations	<u>(36,422)</u>	<u>(1,422)</u>
Tax paid, net	(442)	(2,812)
Net cash used in operating activities	<u>(36,864)</u>	<u>(4,234)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3,074)	(4,457)
Acquisition of other investments	(16,615)	-
Proceeds from disposal of other investments	83,249	-
Decrease in deposits pledged	2,232	11,610
Uplift of bank deposits	2,985	3,013
Interest received	671	921
Dividend received	1,240	523
Proceeds from sale of property, plant and equipment	-	2
Net cash from investing activities	<u>70,688</u>	<u>11,612</u>

	GROUP	
	1st Half Ended 30 June	
	2020	2019
	Unaudited	Unaudited
	S\$'000	S\$'000
Cash flows from financing activities		
Capital contribution by non-controlling interest	26,857	1,906
Interest paid	(9,581)	(10,523)
Proceeds of lease liabilities	11	735
Payment of lease liabilities	(427)	(398)
Proceeds from borrowings	88,543	128,896
Repayment of borrowings	(148,531)	(128,637)
Purchase of treasury shares	(449)	-
Dividends paid	(4,892)	-
Net cash used in financing activities	(48,469)	(8,021)
Net decrease in cash and cash equivalents	(14,645)	(643)
Effect of exchange rate changes on balances held in foreign currencies	(278)	(140)
Cash and cash equivalents at beginning of the period	80,550	83,108
Cash and cash equivalents at end of the period (Note A)	65,627	82,325

	GROUP	
	1st Half Ended 30 June	
	2020	2019
	Unaudited	Unaudited
	S\$'000	S\$'000
Note A: Cash and cash equivalents comprise:		
Cash and cash equivalents in the statement of financial position	95,885	114,235
Less: fixed deposits and cash balances pledged	(30,258)	(31,910)
Cash and cash equivalents in the statement of cash flows	65,627	82,325
Time deposits	5,279	5,976
Cash and cash equivalents and time deposits	70,906	88,301

1(d)(i) A statement (for the company 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.

Statement of Changes in Equity as at 30 June 2020

Group	Attributable to owners of Company							Non-controlling interest	Total Equity	
	Share capital	Treasury Shares	Asset			Accumulated profits	Total			
			revaluation reserves	Translation reserves	Hedging reserves					Fair value reserves
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		
As at 1 January 2020	343,458	(5,131)	4,132	(40,501)	-	4,820	84,869	391,647	87,669	479,316
Total comprehensive income for the year										
Loss for the period	-	-	-	-	-	-	395	395	(1,151)	(756)
Other comprehensive income:										
Foreign currency translation differences relating to foreign operations	-	-	-	(1,601)	-	-	-	(1,601)	(63)	(1,664)
Exchange differences on monetary items forming part of net investment in a foreign operation	-	-	-	(2,201)	-	-	-	(2,201)	-	(2,201)
Equity investments at fair value through other comprehensive income – reclassified to retained earning	-	-	-	-	-	(795)	795	-	-	-
Debt investments at fair value through other comprehensive income – reclassified to profit or loss	-	-	-	-	-	1,851	-	1,851	-	1,851
Net change in fair value:-										
equity investments at fair value through other comprehensive income	-	-	-	-	-	(5,006)	-	(5,006)	-	(5,006)
debt investments at fair value through other comprehensive income	-	-	-	-	-	(289)	-	(289)	-	(289)
Total other comprehensive income, net of tax	-	-	-	(3,802)	-	(4,239)	795	(7,246)	(63)	(7,309)
Total comprehensive income for the year	-	-	-	(3,802)	-	(4,239)	1,190	(6,851)	(1,214)	(8,065)
Changes in ownership interests in subsidiaries										
Acquisition of subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	26,857	26,857
Total changes in ownership interests in a subsidiary	-	-	-	-	-	-	-	-	26,857	26,857
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Dividend paid	-	-	-	-	-	-	(4,892)	(4,892)	-	(4,892)
Purchase of treasury shares	-	(449)	-	-	-	-	-	(449)	-	(449)
Total transactions with owners	-	(449)	-	-	-	-	(4,892)	(5,341)	-	(5,341)
As at 30 June 2020	343,458	(5,580)	4,132	(44,303)	-	581	81,167	379,455	113,312	492,767

Statement of Changes in Equity as at 30 June 2019

Group	Attributable to owners of Company							Total	Non-controlling interest	Total Equity
	Share capital	Treasury Shares	Asset			Accumulated profits	Total			
			revaluation reserves	Translation reserves	Hedging reserves					
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
As at 1 January 2019	343,458	(5,131)	4,132	(38,333)	(498)	(4,082)	77,267	376,813	77,927	454,740
Total comprehensive income for the year										
Profit for the period	-	-	-	-	-	-	1,638	1,638	1,165	2,803
Other comprehensive income:										
Foreign currency translation differences relating to foreign operations	-	-	-	(1,530)	-	-	-	(1,530)	(462)	(1,992)
Exchange differences on monetary items forming part of net investment in a foreign operation	-	-	-	(793)	-	-	-	(793)	-	(793)
Share of foreign currency translation differences of equity-accounted investees	-	-	-	5	-	-	-	5	-	5
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	498	-	-	498	-	498
Net change in fair value:-										
equity investments at fair value through other comprehensive income	-	-	-	-	-	4,085	-	4,085	-	4,085
debt investments at fair value through other comprehensive income	-	-	-	-	-	1,873	-	1,873	-	1,873
Total other comprehensive income, net of tax	-	-	-	(2,318)	498	5,958	-	4,138	(462)	3,676
Total comprehensive income for the year	-	-	-	(2,318)	498	5,958	1,638	5,776	703	6,479
Changes in ownership interests in subsidiaries										
Acquisition of subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	1,906	1,906
Total changes in ownership interests in a subsidiary	-	-	-	-	-	-	-	-	1,906	1,906
As at 30 June 2019	343,458	(5,131)	4,132	(40,651)	-	1,876	78,905	382,589	80,536	463,125

Statements of Changes in Equity as at 30 June 2020

Company

	Share capital S\$'000	Treasury Share S\$'000	Hedging reserves S\$'000	Fair value reserves S\$'000	Accumulated (losses)/profit S\$'000	Total S\$'000
As at 1 January 2020	343,458	(5,131)	-	4,820	4,645	347,792
Total comprehensive income for the year						
Loss for the period	-	-	-	-	(7,192)	(7,192)
Other comprehensive income						
Gain on decognition of equity investments FVOCI reclassified from OCI to retained earnings	-	-	-	(795)	795	-
Loss on decognition of debt investment FVOCI reclassified from OCI to profit or loss	-	-	-	1,851	-	1,851
Net change in fair value-						
equity investments at FVOCI	-	-	-	(5,006)	-	(5,006)
debt investments at FVOCI	-	-	-	(289)	-	(289)
Total other comprehensive income, net of tax	-	-	-	(4,239)	795	(3,444)
Total comprehensive income for the year	-	-	-	(4,239)	(6,397)	(10,636)
Transactions with owners, recognised directly in equity						
Contributions by and distribution to owners						
Dividend paid	-	-	-	-	(4,892)	(4,892)
Purchase of treasury shares	-	(449)	-	-	-	(449)
Total contributions by and distributions to owners	-	(449)	-	-	(4,892)	(5,341)
As at 30 June 2020	343,458	(5,580)	-	581	(6,644)	331,815

Statements of Changes in Equity as at 30 June 2019

Company

As at 1 January 2019	343,458	(5,131)	(498)	(4,082)	(260)	333,487
Total comprehensive income for the year						
Loss for the period	-	-	-	-	(6,562)	(6,562)
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges	-	-	498	-	-	498
Net change in fair value-						
equity investments at FVOCI	-	-	-	4,085	-	4,085
debt investments at FVOCI	-	-	-	1,873	-	1,873
Total other comprehensive income, net of tax	-	-	498	5,958	-	6,456
Total comprehensive income for the year	-	-	498	5,958	(6,562)	(106)
As at 30 June 2019	343,458	(5,131)	-	1,876	(6,822)	333,381

1(d)(ii) 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 for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles 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 shares issued and fully paid	Share capital S\$'000	Number of treasury shares	Treasury shares S\$'000
As at 1 January 2020	1,977,036,050	343,458	(18,102,700)	(5,131)
As at 1 January 2019	1,977,036,050	343,458	(18,102,700)	(5,131)

	Number of shares issued and fully paid	Share capital S\$'000	Number of treasury shares	Treasury shares S\$'000
As at 30 June 2020	1,977,036,050	343,458	(20,102,500)	(5,580)
As at 30 June 2019	1,977,036,050	343,458	(18,102,700)	(5,131)

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.

	As at 30.06.2020
Total number of issued shares	1,977,036,050
Total number of treasury shares	(20,102,500)
Total number of issued shares (excluding treasury shares)	<u>1,956,933,550</u>
	As at 30.06.2019
Total number of issued shares	1,977,036,050
Total number of treasury shares	(18,102,700)
Total number of issued shares (excluding treasury shares)	<u>1,958,933,350</u>

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

As at 1 January 2020	18,102,700
Purchase of treasury shares	1,999,800
As at 30 June 2020	<u>20,102,500</u>

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

There were no sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

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 by the Company's auditors.

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

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 Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those applied in the Group's most recently audited financial statements for the year ended 31 December 2019.

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.**

	1st Half ended 30 June		
	30.06.2020	30.06.2019	+/- %
Earnings per ordinary share of the Group based on net profit/(loss) attributable to shareholders:-			
i) Based on weighted average number of shares (cents)	0.020	0.084	-80%
-Weighted average number of shares ('000)	1,957,870	1,958,933	
ii) On a fully diluted basis (cents)	0.020	0.084	-80%
-Adjusted weighted average number of shares ('000)	1,957,870	1,958,933	

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

	Group			Company		
	30.06.2020 (S\$ cents)	31.12.2019 (S\$ cents)	+/- %	30.06.2020 (S\$ cents)	31.12.2019 (S\$ cents)	+/- %
Net asset value per ordinary share	19.39	19.99	-3.0%	16.96	17.75	-4.5%

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.**

Profit and Loss

Group revenue for 1H2020 rose by 15% to S\$65.8 million, generating an operating profit of S\$13.4 million (1H2019: S\$17.8 million), and a net loss after tax of S\$0.8 million (1H2019: net profit after tax of S\$2.8 million).

On a segmental basis, the Group's property business registered a 94% increase in revenue to S\$41.8 million, boosted by the progressive sales recognised from the Group's Eaton Residences and Coral Bay projects in Malaysia.

Our hospitality segment, which comprises two hotels in Sutera Harbour Resort and an island resort, Sutera @ Mantanani, in Kota Kinabalu, Sabah, was off to a strong start in January 2020. It posted a 16% increase in unaudited revenue to S\$7.9 million. (January 2019: S\$6.8 million).

However, the spread of the COVID-19 outbreak in China and South Korea, sparked a suspension of all Chinese and Korean flights and visitors to Sabah, on 30 January 2020 and 1 March 2020, respectively. Prior to the suspension, China and South Korea were the two largest contributors to international arrivals to Sabah, and a major source of business for our hospitality business.

As the Covid-19 pandemic further worsened in Malaysia, the Malaysian Government announced a Movement Control Order ("MCO") to minimise the spread of the virus, which came into effect on 18 March 2020 and has since been extended until 12 May 2020.

Even though no Covid-19 case had occurred at our Resorts and Island, in compliance with the MCO, the Group's hospitality business in Sabah, implemented a temporary closure from 18 March 2020. Since then, cost reduction initiatives have been implemented, and overheads are partially mitigated by the various support measures from the Malaysian Government. Consequently, the administrative expenses decreased accordingly.

The Group's hospitality segment posted a revenue of S\$14.8 million, a 59% decline, for 1H2020.

As highlighted in our 2019 Annual Report, the Group commenced its frozen foods supply chain trading business in China, in the second half of 2019. In 1H2020, the Group's trading business registered a revenue of S\$9.2 million, which exceeded 10% of the Group's revenue, hence a new trading business segment was added to the segmental analysis.

Other income in 1H2020 rose by S\$1.7 million to S\$3.1 million, due mainly to dividend income of S\$1.0 million received from the Group's unquoted investments and late interest income of S\$0.9 million charged to customers.

On 29 November 2019, the Group entered into a conditional sale and purchase agreement with Henan Xinrun Industrial Co., Ltd, in relation to the sale of 171 million shares in its associate held by the Group ("Proposed Sale"), for an aggregate consideration of RMB 278 million (S\$54.9 million) and any interest accrued. Subsequent to the Proposed Sale above, the sale was approved by shareholders of the Company on 1 June 2020, and it is pending completion. Hence, the Group has ceased equity accounting the results of its associate from November 2019.

Balance Sheet

The Group had disposed all of its treasury investments and the majority of its fixed-tenure, principal-protected securities in 1Q2020. Accordingly, both treasury investments and principal-protected securities, which were recorded as "Other Investments" in the balance sheet, were reduced from S\$85.6 million as at 31 December 2019 to S\$16.6 million as at 30 June 2020.

The increase in development properties and contract assets, from S\$386.8 million as at 31 December 2019, to S\$487.2 million as at 30 June 2020, was due mainly to the acquisition of land of approximately S\$107.8 million via a land tender exercise in December 2019 in Chongqing, China ("Land Acquisition). Upon taking possession of the land in 2Q2020, the Group had consolidated S\$75.0 million of land costs for the residential project and S\$32.8 million in property, plant and equipment for the hotel development project.

The increase in inventories, from S\$9.9 million as at 31 December 2019 to S\$20.6 million as at 30 June 2020, was mainly due to higher purchases made in our frozen foods supply chain trading business in Qingdao, China.

The decrease in other receivables, from S\$38.2 million as at 31 December 2019 to S\$6.6 million as at 30 June 2020, was attributed to the reclassification of the deposit of S\$26.9 million paid for the land tender exercise in Chongqing, China, to development properties.

The increase in trade payables, other payables and accruals, from S\$68.9 million as at 31 December 2019, to S\$132.0 million as at 30 June 2020, was due mainly to the balance of S\$53.8 million payable to the Land Acquisition.

The decrease in loans and borrowings, from S\$513.7 million as at 31 December 2019, to S\$452.5 million as at 30 June 2020, was because of the net repayment of borrowings during the year.

Cash Flow Analysis

For the first half year ended 30 June 2020, the operating profit before working capital changes, was S\$15.2 million. However, after adjusting for working capital changes, the Group recorded a net cash outflow from operating activities of S\$36.9 million.

The Group registered a net cash inflow from investing activities of S\$70.7 million, which was due mainly to the net proceeds received from disposal of Other Investments of S\$66.6 million.

The Group registered a net cash outflow from financing activities of S\$48.5 million, which were attributable to the net borrowings repayment of S\$60.0 million and interest payment of S\$9.6 million, which was offset by the capital contribution received from the non-controlling interest of S\$26.9 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.

10. A commentary at the date of the 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.

With the Covid-19 pandemic showing no sign of a global recovery, there is no certainty as to when the international leisure travel restriction into Malaysia, will be lifted. The Covid-19 pandemic situation is expected to continue to cast a negative impact on the Group's hospitality business, in the foreseeable future.

However, Malaysia had approached various countries such as Singapore, Brunei, Australia and New Zealand to create "green lane" access, for essential business and official purposes.

The easing of interstate travel in Malaysia, starting from June 2020, sparked the resumption of domestic travel, which can help partially rejuvenate the hotel industry.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year. Any dividend declared for the corresponding period of the immediately preceding financial year?

No

(c) Date payable

Not Applicable

(d) Books closure date

Not Applicable

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

No dividend has been declared as the Group is conserving its funds for working capital.

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 Company does not have a general mandate for IPTs.

14. Segment Analysis

SEGMENT ANALYSIS

	1st Half Ended 30 June 2020					1st Half Ended 30 June 2019				
	Hospitality S\$'000	Property S\$'000	Trading S\$'000	Others* S\$'000	Total S\$'000	Hospitality S\$'000	Property S\$'000	Trading S\$'000	Others* S\$'000	Total S\$'000
Segment revenue	14,756	41,812	9,219	2,434	68,221	35,828	21,522	-	2,266	59,616
Elimination of inter-segment revenue	-	-	-	(2,434)	(2,434)	(4)	-	-	(2,266)	(2,270)
External revenue	14,756	41,812	9,219	-	65,787	35,824	21,522	-	-	57,346
Interest income	208	335	34	103	680	210	249	-	512	971
Interest expense	(2,914)	(987)	-	(6,054)	(9,955)	(3,717)	(1,105)	-	(6,206)	(11,028)
Depreciation	(4,202)	(624)	(22)	(320)	(5,168)	(4,618)	(670)	-	(331)	(5,619)
Reportable segment profit/(loss) before tax	(4,125)	13,182	87	(9,506)	(362)	5,870	8,706	(39)	(9,629)	4,908
Tax expense	1,202	(1,566)	(30)	-	(394)	(532)	(1,573)	-	-	(2,105)
Reportable segment profit/(loss) after tax	(2,923)	11,616	57	(9,506)	(756)	5,338	7,133	(39)	(9,629)	2,803
Share of profit of equity-accounted investee	-	-	-	-	-	-	4,083	-	-	4,083
Reportable segment assets	389,068	685,914	23,155	75,261	1,173,398	393,307	491,641	4,037	182,983	1,071,968
Reportable segment liabilities	(175,811)	(218,600)	(7,388)	(278,832)	(680,631)	(187,631)	(136,397)	(48)	(284,767)	(608,843)

* Including general corporate activities

Geographical Information

	Revenue Half Year ended 30 June		Non-current assets Half Year ended 30	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Malaysia	56,568	57,346	378,246	380,193
China	9,219	-	32,982	67,012
Singapore	-	-	25,868	26,458
Middle East	-	-	4,862	4,904
Total	65,787	57,346	441,958	478,567

*Non-current assets relate to the carrying amounts of investment properties, property, plant and equipment and associate.

15. Negative Assurance Confirmation Under Rule 705(5) of the Listing Manual

The Board of Directors of the Company (“BOD”), hereby confirm that, to the best of their knowledge, nothing has come to the attention of the BOD which may render the 1H2020 financial results to be false or misleading in any material respect.

However, there is uncertainty relating to the carrying amounts of the Group’s hotel properties as at 30 June 2020 due to the impact of Covid-19.

The outbreak of the Covid-19 has negatively impacted the hospitality and tourism sector and has affected the financial performance of the hotels. The Covid-19 situation is still fluid and evolving and has resulted in significant market uncertainty in the short term. There is a lack of visibility regarding future cash flows and insufficient market transactions available for benchmarking to adopt meaningful capitalization rates and this has led to difficulties in obtaining appropriate valuations.

After due consideration, the BOD is of the view that under these circumstances, it may be difficult to reasonably quantify any impact on the carrying amounts of the hotels as some of the key assumptions used to derive valuations currently would be very subjective and arbitrary. The carrying amounts of the hotels as at 30 June 2020 are within the independent valuation as at 31 December 2019, and conditions prevailing at that point in time may have changed by the date of this report.

The Group commissions independent valuation of its hotels once a year in December. The management of the Company will continue to closely monitor the evolving situation and perform valuations when there is indication of material change and objective, appropriate valuations can be reliably obtained or by end of the financial year, whichever is earlier.

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

The Company confirms it has procured the undertakings.

BY ORDER OF THE BOARD

Lee Tiong Hock
Company Secretary
06 August 2020