
UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE
HALF YEAR ENDED 30 JUNE (“**HY**”) 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, ZICO Capital Pte. Ltd. (the “**Sponsor**”), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF YEAR RESULTS

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

Consolidated Statement of Profit or Loss

	Group		<u>Change</u>
	<u>HY2020</u> <u>(Unaudited)</u> S\$'000	<u>HY2019</u> <u>(Unaudited)</u> S\$'000	
Revenue	16,722	15,415	8.5%
Cost of sales	(15,421)	(12,706)	21.4%
Gross profit	1,301	2,709	(52.0%)
Other income and gains	941	755	24.6%
Distribution costs	(113)	(253)	(55.3%)
Administrative expenses	(2,439)	(2,259)	8.0%
Finance costs	(318)	(434)	(26.7%)
Other losses	(219)	(57)	>100.0%
(Loss) Profit before tax from continuing operations	(847)	461	NM
Income tax expense	(26)	(74)	(64.9%)
(Loss) Profit net of tax	(873)	387	NM
(Loss) Profit attributable to owners of the Company, net of tax	(873)	387	NM

NM – Not meaningful

Consolidated Statement of Comprehensive Income

	Group		
	<u>HY2020</u>	<u>HY2019</u>	<u>Change</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>%</u>
	S\$'000	S\$'000	%
(Loss) Profit net of tax	(873)	387	NM
<u>Other comprehensive income (loss)</u>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax	85	(54)	NM
Other comprehensive income (loss) for the period, net of tax	85	(54)	NM
Total comprehensive (loss) income	(788)	333	NM
Total comprehensive (loss) income attributable to owners of the Company	(788)	333	NM

NM – Not meaningful

1(a)(ii) (Loss) Profit before tax is arrived at after crediting / (charging) the following:

	<u>HY2020</u> <u>(Unaudited)</u> S\$'000	<u>Group</u> <u>HY2019</u> <u>(Unaudited)</u> S\$'000	<u>Change</u>
Foreign exchange adjustment gain/(loss)	69	(7)	NM
Depreciation of property, plant and equipment	(439)	(405)	8.4%
Amortisation of land use right	(68)	(68)	–
Amortisation of intangible assets	(15)	(14)	7.1%
Depreciation of right-of-use assets	(112)	(64)	75.0%
Gain on disposal of property, plant and equipment, net	290	7	>100.0%
Reversal of impairment on trade receivables	268	691	(61.2%)
Allowance for impairment on trade receivables	(217)	(34)	>100.0%
Reversal of impairment on inventories	7	12	(41.7%)
Allowance for impairment on inventories	(1,892)	–	NM
Interest expense	(318)	(434)	(26.7%)
Bad debts written off	–	16	(100%)
Interest income	13	3	>100.0%
Government grant income	302	18	>100.0%

NM – 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.

Statements of Financial Position

	<u>Group</u>		<u>Company</u>	
	<u>As at</u> <u>30.06.2020</u> <u>(Unaudited)</u> <u>S\$'000</u>	<u>As at</u> <u>31.12.2019</u> <u>(Audited)</u> <u>S\$'000</u>	<u>As at</u> <u>30.06.2020</u> <u>(Unaudited)</u> <u>S\$'000</u>	<u>As at</u> <u>31.12.2019</u> <u>(Audited)</u> <u>S\$'000</u>
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment	7,573	7,992	–	–
Right-of-use assets	543	284	–	–
Land use right	2,506	2,574	–	–
Intangible assets	3	17	–	–
Investments in subsidiaries	–	–	11,283	11,283
Deferred tax assets	317	266	–	–
Total non-current assets	10,942	11,133	11,283	11,283
<u>Current assets</u>				
Asset classified as held for sale	–	386	–	–
Inventories	20,326	23,542	–	–
Trade and other receivables	10,261	9,991	1,812	1,640
Other non-financial assets	260	141	8	24
Cash and cash equivalents	7,026	3,971	800	513
Total current assets	37,873	38,031	2,620	2,177
Total assets	48,815	49,164	13,903	13,460
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share capital	10,579	10,579	10,579	10,579
Retained earnings	18,027	18,900	3,066	2,536
Statutory reserves	239	239	–	–
Foreign currency translation reserves	(85)	(170)	–	–
Equity, attributable to owners of the Company, total	28,760	29,548	13,645	13,115
Total equity	28,760	29,548	13,645	13,115
<u>Non-current liabilities</u>				
Financial liabilities - Lease liability	509	387	–	–
Other financial liabilities	8,625	6,172	–	–
Deferred tax liabilities	45	–	–	–
Total non-current liability	9,179	6,559	–	–
<u>Current liabilities</u>				
Liability classified as held for sale	–	154	–	–
Income tax payable	29	16	5	7
Financial liabilities - Lease liability	271	197	–	–
Other financial liabilities	969	1,738	–	–
Trade and other payables	9,607	10,952	253	338
Total current liabilities	10,876	13,057	258	345
Total liabilities	20,055	19,616	258	345
Total equity and liabilities	48,815	49,164	13,903	13,460

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

Amount repayable in one year or less, or on demand

As at 30.06.2020		As at 31.12.2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
411	5,349	713	6,849

Amount repayable after one year

As at 30.06.2020		As at 31.12.2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,667	4,132	4,898	1,470

Details of any collaterals

The Group's borrowings consist of term loans, bank loans, bank overdrafts, bills payables and finance leases.

Certain of the Group's term loans, bank loans, bank overdrafts and other credit facilities are secured by legal mortgages on the subsidiaries' leasehold and freehold properties. The finance leases are secured by the leased assets.

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

Consolidated Statement of Cash Flows

	Group	
	<u>HY2020</u> <u>(Unaudited)</u> S\$'000	<u>HY2019</u> <u>(Unaudited)</u> S\$'000
<u>Cash flows from operating activities</u>		
(Loss) Profit before tax	(847)	461
Adjustments for:		
Interest income	(13)	(3)
Interest expense	318	434
Fair value loss on foreign exchange contracts	–	(7)
Depreciation of property, plant and equipment	439	405
Depreciation of right-of-use assets	112	64
Amortisation of land use right	68	68
Amortisation of intangible assets	15	14
Allowance for impairment on trade receivables	217	34
Reversal of impairment on trade receivables	(268)	(691)
Allowance for impairment on inventories	1,892	–
Reversal of impairment on inventories	(7)	(12)
Bad debts written-off	–	(16)
Gain on disposal of property, plant and equipment	(290)	(7)
Property, plant and equipment written-off	2	–
Net effect of exchange rate changes in consolidating foreign operations	132	(21)
Operating cash flows before changes in working capital	1,770	723
Inventories	1,332	3,738
Trade and other receivables	(263)	1,231
Other non-financial assets	(50)	49
Trade and other payables	(513)	(3,633)
Net cash flows from operations	2,276	2,108
Income taxes paid	(31)	(46)
Net cash flows from operating activities	2,245	2,062
<u>Cash flows from investing activities</u>		
Disposal of property, plant and equipment	650	59
Purchase of property, plant and equipment	(58)	(781)
Interest received	13	3
Net cash flows from (used in) investing activities	605	(719)
<u>Cash flows from financing activities</u>		
Decrease in borrowings	(8,188)	(10,754)
Increase from new borrowings	9,772	8,353
Lease liabilities	(193)	(65)
Interest paid	(301)	(433)
Net cash flows from (used in) financing activities	1,090	(2,899)
Net increase (decrease) in cash and cash equivalents	3,940	(1,556)
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	3,086	4,708
Cash and cash equivalents, consolidated statement of cash flows, ending balance	7,026	3,152

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.

Statements of Changes in Equity

GROUP

	<u>Total equity</u> S\$'000	<u>Attributable To parent sub-total</u> S\$'000	<u>Share capital</u> S\$'000	<u>Retained earnings</u> S\$'000	<u>Foreign currency translation reserve</u> S\$'000	<u>Statutory reserve</u> S\$'000
Current period:						
Opening balance at 1 January 2020	29,548	29,548	10,579	18,900	(170)	239
Movements in equity						
Total comprehensive (loss) income for the period	(788)	(788)	–	(873)	85	–
Closing balance at 30 June 2020	28,760	28,760	10,579	18,027	(85)	239

	<u>Total equity</u> S\$'000	<u>Attributable To parent sub-total</u> S\$'000	<u>Share capital</u> S\$'000	<u>Retained earnings</u> S\$'000	<u>Foreign currency translation reserve</u> S\$'000	<u>Statutory reserve</u> S\$'000
Previous period:						
Opening balance at 1 January 2019	28,807	28,807	10,579	18,089	(98)	237
Movements in equity						
Total comprehensive income (loss) for the period	333	333	–	387	(54)	–
Closing balance at 30 June 2019	29,140	29,140	10,579	18,476	(152)	237

Statements of Changes in Equity (continued)

COMPANY

	Total equity	Share capital	Retained earnings
	S\$'000	S\$'000	S\$'000
Current period:			
Opening balance at 1 January 2020	13,115	10,579	2,536
Movements in equity:			
Total comprehensive income for the period	530	–	530
Closing balance at 30 June 2020	13,645	10,579	3,066
Previous period:			
Opening balance at 1 January 2019	13,091	10,579	2,512
Movements in equity:			
Total comprehensive income for the period	253	–	253
Closing balance at 30 June 2019	13,344	10,579	2,765

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the Company's share capital from 1 January 2020 to 30 June 2020. There were no outstanding convertibles, treasury shares and subsidiary holdings as at 30 June 2020 and 30 June 2019.

- 1(d)(iii) 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	As at 31.12.2019
108,000,000	108,000,000

The Company did not have any treasury shares as at 30 June 2020 and 31 December 2019.

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.

The Company does not have any treasury shares. There were no sale, transfer, cancellation and/or use of treasury shares during and as at the current financial period reported on.

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.

The Company does not have any subsidiary holdings. There were no sale, transfer, cancellation and/or use of subsidiary holdings during and as at 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 had 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 a matter).

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

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

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

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

Not applicable. The Group's latest audited financial statements for the financial year ended 31 December 2019 are not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the Company's auditors.

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

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period reported on, which are consistent with the Company's most recently audited financial statements for the financial year ended 31 December 2019, except for the adoption of new standards, amendments and interpretations that are mandatory for financial year beginning on or after 1 January 2020. The adoption of these new standards, amendments and interpretations has no significant impact to the unaudited financial statements of the Group and of the Company for the current financial period reported on.

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.

Please refer to item 4 above.

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:

	Group	
	HY2020	HY2019
(Loss) Earnings per ordinary share for the financial period based on (loss) profit after tax attributable to owners of the Company		
(i) Based on the weighted average number of ordinary shares in issue	(0.81) cents	0.36 cents
(ii) On a fully diluted basis	(0.81) cents	0.36 cents
Weighted average number of ordinary shares in issue	108,000,000	108,000,000

The Group's basic and diluted (loss) earnings per ordinary share for HY2020 and HY2019 respectively were the same as there were no potentially dilutive ordinary shares existing during the respective financial periods.

7. Net asset value (for the issuer and group) per ordinary share based on total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Net asset value per ordinary share (cents)	26.6	27.4	12.6	12.1

The net asset value per ordinary share for the Group and the Company have been calculated based on the issued share capital of 108,000,000 ordinary shares of the Company as at 30 June 2020 and 31 December 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.

(a) Statement of Comprehensive Income

The Group's revenue increased by S\$1.3 million or 8.5%, from S\$15.4 million in HY2019 to S\$16.7 million in HY2020. This was mainly due to an increase in sales to our customers in the precision engineering industry, and to stockists and traders. Sales to our customers in the marine industry remained fairly stable in HY2020, as compared to HY2019.

Gross profit decreased by S\$1.4 million or 52.0%, from S\$2.7 million in HY2019 to S\$1.3 million in HY2020. Gross profit margin decreased by 9.8 percentage points, from 17.6% in HY2019 to 7.8% in HY2020. The decrease in both gross profit and gross profit margin was mainly due to a higher allowance for impairment on inventories of S\$1.9 million recognised in HY2020. The Group has reassessed the policy on provision for impairment on inventories in view of the challenging business environment and the uncertainty arising from the COVID-19 pandemic.

Other income and gains increased by S\$0.2 million or 24.6%, from S\$0.7 million in HY2019 to S\$0.9 million in HY2020, mainly due to an increase of S\$0.3 million in grants received from the governments of certain countries where the Group has operations in, and an increase of S\$0.3 million in gain on disposal of property, plant and equipment relating mainly to the disposal of the Group's property at No. 5, Jalan Gemilang 3, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor, Malaysia ("**Property**"), which was completed on 18 February 2020, partially offset by a decrease of S\$0.4 million in reversal of impairment on trade receivables.

Distribution costs decreased by S\$0.2 million or 55.3%, from S\$0.3 million in HY2019 to S\$0.1 million in HY2020, mainly due to a decrease in exhibition and entertainment expenses as the COVID-19 pandemic resulted in the cancellation of related planned exhibitions.

Administrative expenses increased by S\$0.1 million or 8.0%, from S\$2.3 million in HY2019 to S\$2.4 million in HY2020, mainly due to the increase in short term employee benefits expense.

Finance costs decreased by S\$0.1 million or 26.7%, from S\$0.4 million in HY2019 to S\$0.3 million in HY2020 due to the lower usage of trade finance facilities in HY2020.

Other losses increased by S\$0.1 million, from S\$0.1 million in HY2019 to S\$0.2 million in HY2020, mainly due to the higher allowance for impairment on trade receivables after the management has assessed that collection of these trade receivables is not likely.

As a result of the above, the Group recorded a loss before tax of S\$0.8 million in HY2020, as compared to a profit before tax of S\$0.5 million in HY2019.

b)(i) Statement of Financial Position

Non-current assets decreased by S\$0.2 million, from S\$11.1 million as at 31 December 2019 to S\$10.9 million as at 30 June 2020, mainly due to a decrease in property, plant and equipment of S\$0.6 million as a result of depreciation charges, partially offset by recognition of right-of-use assets of S\$0.4 million in HY2020.

Current assets decreased by S\$0.1 million, from S\$38.0 million as at 31 December 2019 to S\$37.9 million as at 30 June 2020. This was mainly due to a decrease in inventories of S\$3.2 million and asset classified as held for sale of S\$0.4 million, partially offset by an increase in cash and cash equivalents of S\$3.0 million and other non-financial assets of S\$0.2 million. The decrease in inventories was in line with the increase in revenue and a higher allowance for impairment on inventories of S\$1.9 million recognised in HY2020. The asset classified as held for sale related to the disposal of the Property, which was completed on 18 February 2020. The increase in other non-financial assets was mainly due to an increase in prepayments made to suppliers. Please refer to the section on "Statement of Cash Flows" below for the reasons for the increase in cash and cash equivalents.

b)(i) Statement of Financial Position (continued)

Non-current liabilities increased by S\$2.6 million, from S\$6.6 million as at 31 December 2019 to S\$9.2 million as at 30 June 2020, mainly due to the drawdown of a new loan of S\$3.0 million and an increase in lease liability (non-current portion) of S\$0.1 million as a result of an increase in new lease liabilities, partially offset by the repayment of long-term bank loans of S\$0.4 million.

Current liabilities decreased by S\$2.2 million, from S\$13.1 million as at 31 December 2019 to S\$10.9 million as at 30 June 2020, mainly due to a decrease in trade and other payables of S\$1.3 million, a decrease in other financial liabilities of S\$0.8 million and a decrease in liability classified as held for sale of S\$0.2 million, partially offset by an increase in lease liability (current portion) of S\$0.1 million as a result of an increase in new lease liabilities. The decrease in trade and other payables was mainly due to lower trade payables and bills payables as at 30 June 2020, as compared to 31 December 2019. The decrease in other financial liabilities was mainly due to the non-utilisation of bank overdraft facility as at 30 June 2020. The liability classified as held for sale related to the disposal of the Property, which was completed on 18 February 2020.

The Group reported a positive working capital position of S\$27.0 million as at 30 June 2020, as compared to S\$25.0 million as at 31 December 2019.

Total equity decreased by S\$0.7 million, from S\$29.5 million as at 31 December 2019 to S\$28.8 million as at 30 June 2020, mainly as a result of the net loss for the period.

b)(ii) Statement of Cash Flows

Net cash flows from operating activities was higher by S\$0.2 million in HY2020 as compared to HY2019, mainly due to the improvement on working capital management.

Net cash flows from investing activities amounted to S\$0.6 million in HY2020, mainly due to the net proceeds from the disposal of the Property.

Net cash flows from financing activities amounted to S\$1.1 million in HY2020, mainly due to a net increase in borrowings of S\$1.6 million, partially offset by the interest payment of S\$0.3 million and repayment of lease liabilities of S\$0.2 million.

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

No forecast or prospect statement was previously disclosed.

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.

The COVID-19 pandemic continues to raise concern and adversely impact the global economy. At this stage, it is hard to reliably predict how long it will take to contain the virus, the impact it has on Singapore and the global economy and the impact on the demand for the aluminium alloy products provided by the Group, locally and internationally.

Furthermore, the downward revisions in global GDP by the World Bank and IMF in June 2020, the potential for a second COVID-19 outbreak and the on-going trade war between the United States and China, create an unpredictable environment for the Group's business. Given these uncertainties, the outlook for the second half of 2020 appears challenging. The Group is closely monitoring and assessing the impact of the COVID-19 pandemic and will make appropriate disclosure to the shareholders, as and when there are material developments, in accordance with the SGX-ST Listing Manual Section B: Rules of Catalyst.

The Group has applied for the various COVID-19 Government Support Packages announced by the local authorities. The Group's balance sheet remains strong and its financials and liquidity are well positioned to weather the uncertain times ahead.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared/recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared/recommended for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

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

Not applicable.

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

No dividend has been declared or recommended for HY2020 as the board of directors of the Company ("**Board**") deems it appropriate to conserve funds for the Group's business activities in view of the COVID-19 pandemic.

13. Interested Person Transactions – Pursuant to Rule 920 (1) (a) of Section B of the Listing Manual of the SGX-ST: Rules of Catalyst ("Catalist Rules")

The Company does not have a mandate from its shareholders for any interested person transactions.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720 (1) of the Catalyst Rules.

The Company confirms that it has procured all the required undertakings from all its directors and executive officers in the format set out in Appendix 7H under Rule 720 (1) of the Catalyst Rules.

15. Negative confirmation by the Board pursuant to Rule 705 (5) of the Catalist Rules

We, Tan Yee Ho and Tan Yee Leong, the undersigned, being directors of the Company, do hereby confirm on behalf of the Board that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the half year ended 30 June 2020 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

TAN YEE HO
Executive Chairman

TAN YEE LEONG
Chief Executive Officer

12 August 2020