



FEDERAL INTERNATIONAL (2000) LTD
Incorporated in the Republic of Singapore
Registration No. 199907113K

**Unaudited Financial Statements and Dividend Announcement for
the First Quarter ended
31 March 2019**

10 May 2019

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Readers are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.

Table of Contents

| | Page No |
|--|---------|
| Consolidated Statement of Comprehensive Income | 1 |
| Statements of Financial Position | 4 |
| Consolidated Statement of Cash Flows | 6 |
| Statements of Changes in Equity | 8 |
| Review of Performance | 13 |
| Outlook | 15 |



Incorporated in the Republic of Singapore
Company Registration No. 199907113K

First Quarter Financial Year 2019 Financial Statements and Dividend Announcement

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

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

UNAUDITED RESULTS FOR THE FIRST QUARTER (“1Q2019”)

| | | ← Group → | | |
|--|-------|----------------|----------------|---------------|
| | | 3 Months Ended | | Changes |
| | | 31.03.19 | 31.03.18 | |
| | | S\$'000 | S\$'000 | |
| INCOME STATEMENT | | | | |
| Revenue | | 10,344 | 13,828 | (25.2) |
| Cost of sales | | (8,067) | (11,009) | (26.7) |
| Gross profit | | 2,277 | 2,819 | (19.2) |
| Gross profit margin | | 22.0% | 20.4% | |
| Other income | (i) | 515 | 1,109 | (53.6) |
| Selling and distribution costs | | (1,077) | (1,253) | (14.0) |
| Administrative and general costs | | (2,252) | (2,812) | (19.9) |
| Other operating income / (expenses) | (ii) | 108 | (1,270) | (108.5) |
| Finance costs | (iii) | (309) | (314) | (1.6) |
| Share of results of associates and joint venture | | 16 | 575 | (97.2) |
| Loss before tax | (iv) | (722) | (1,146) | (37.0) |
| Income tax (expense) / credit | | (5) | 12 | (141.7) |
| Loss for the period | | (727) | (1,134) | (35.9) |
| Attributable to: | | | | |
| Owners of the Company | | (612) | (976) | (37.3) |
| Non-controlling interests | | (115) | (158) | (27.2) |
| | | (727) | (1,134) | (35.9) |

N.M. – Not Meaningful

| | ← Group → | | |
|---|----------------|--------------|----------------|
| | 3 Months Ended | | Changes |
| | 31.03.19 | 31.03.18 | |
| | S\$'000 | S\$'000 | % |
| STATEMENT OF COMPREHENSIVE INCOME | | | |
| Loss net of tax | (727) | (1,134) | (35.9) |
| Other comprehensive income: | | | |
| Items that are or may be reclassified subsequently to profit or loss | | | |
| Foreign currency translation | (233) | (244) | (4.5) |
| Share of other comprehensive loss of associates and joint venture | (46) | (3) | N.M. |
| Foreign currency translation on disposal of an associate reclassified to profit or loss | – | 690 | (100.0) |
| Other comprehensive (loss)/ income for the period, net of tax | (279) | 443 | (163.0) |
| Total comprehensive loss for the period | (1,006) | (691) | 45.6 |
| Total comprehensive loss attributable to: | | | |
| Owners of the Company | (814) | (412) | 97.6 |
| Non-controlling interests | (192) | (279) | (31.2) |
| | (1,006) | (691) | 45.6 |

N.M. – Not Meaningful

Notes:

1(a)(i) Other income includes the following:

| | 3 Months Ended | |
|---|-----------------------|-----------------|
| | 31.03.19 | 31.03.18 |
| | S\$'000 | S\$'000 |
| Fee from litigation funding agreement | – | 300 |
| Foreign currency exchange gain | 202 | – |
| Gain on disposal of property, plant and equipment | – | 3 |
| Implicit interest income | 1 | 1 |
| Interest income | 61 | 311 |
| Rental and related income | 66 | 87 |
| Share of profits from partnership | – | 103 |
| Sundry income | 185 | 304 |
| | 515 | 1,109 |

1(a)(ii) Other operating (income) / expenses include the following:

| | 3 Months Ended | |
|---|-----------------------|-----------------|
| | 31.03.19 | 31.03.18 |
| | S\$'000 | S\$'000 |
| Foreign currency exchange loss | – | 649 |
| Impairment loss on doubtful receivables | – | 123 |
| Impairment loss on amount due from associates | – | 3 |
| Inventories written off | – | 37 |
| Loss on disposal of an associate | – | 442 |
| Write back of impairment loss on doubtful receivables | (109) | – |
| Write back of impairment loss on amount due from associates | – | (4) |
| Other expenses | 1 | 20 |
| | (108) | 1,270 |

1(a)(iii) Finance costs include the following:

| | 3 Months Ended | |
|----------------------|-----------------------|-----------------|
| | 31.03.19 | 31.03.18 |
| | S\$'000 | S\$'000 |
| Interest expense on: | | |
| - Bank overdrafts | 37 | 10 |
| - Term loans | 179 | 207 |
| - Trust receipts | 41 | 97 |
| - Lease liabilities | 52 | – |
| | 309 | 314 |

1(a)(iv) Loss before tax is arrived at after charging the following:

| | 3 Months Ended | |
|-------------------------------------|-----------------------|-----------------|
| | 31.03.19 | 31.03.18 |
| | S\$'000 | S\$'000 |
| Depreciation and amortisation | 545 | 544 |
| Depreciation of right-of-use assets | 93 | – |
| | 638 | 544 |

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

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | As At 31.03.19 | As At 31.12.18 | As At 31.03.19 | As At 31.12.18 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Non-current assets | | | | |
| Property, plant and equipment | 31,178 | 31,316 | – | – |
| Right-of-use assets | 3,830 | – | – | – |
| Investment in subsidiaries | – | – | 77,839 | 77,876 |
| Investment in associates and joint venture | 5,964 | 5,994 | 732 | 732 |
| Intangible assets | 1,616 | 1,650 | – | – |
| Financial assets at fair value through other comprehensive income | 538 | 538 | 538 | 538 |
| Other receivables | 13,098 | 13,095 | 13,022 | 13,022 |
| Deferred tax assets | 728 | 722 | – | – |
| | 56,952 | 53,315 | 92,131 | 92,168 |
| Current assets | | | | |
| Inventories | 11,884 | 12,625 | – | – |
| Trade and other receivables | 32,103 | 30,726 | 64 | 46 |
| Advance payment to suppliers | 992 | 779 | – | – |
| Prepayments | 258 | 250 | 28 | 16 |
| Deposits | 77 | 78 | 24 | 24 |
| Financial receivable | – | 300 | – | – |
| Amounts due from subsidiaries | – | – | 2,057 | 1,875 |
| Amounts due from associates | 2,962 | 2,979 | 49 | 50 |
| Amount due from a related party | 6,291 | 6,327 | – | – |
| Fixed and bank deposits | 1,391 | 1,398 | 1,356 | 1,363 |
| Cash and bank balances | 5,838 | 8,968 | 131 | 188 |
| | 61,796 | 64,430 | 3,709 | 3,562 |
| Current liabilities | | | | |
| Trade and other payables | 15,486 | 18,240 | 790 | 649 |
| Contract liabilities | 828 | 924 | – | – |
| Amounts due to subsidiaries | – | – | 1,214 | 1,226 |
| Amounts due to associates | 10 | 10 | – | – |
| Amount due to a related party | 1,962 | 1,926 | – | – |
| Amounts due to bankers | 9,796 | 8,067 | – | – |
| Term loans | 8,653 | 8,535 | – | – |
| Lease liabilities | 312 | – | – | – |
| Provision for taxation | 2,616 | 2,620 | – | – |
| | 39,663 | 40,322 | 2,004 | 1,875 |
| Net current assets | 22,133 | 24,108 | 1,705 | 1,687 |
| Non-current liabilities | | | | |
| Term loans | 6,473 | 7,352 | – | – |
| Amounts due to subsidiaries | – | – | 19,603 | 19,716 |
| Provision for post employment benefits | 213 | 211 | – | – |
| Lease liabilities | 3,544 | – | – | – |
| Deferred tax liabilities | 2,391 | 2,390 | – | – |
| | 12,621 | 9,953 | 19,603 | 19,716 |
| Net assets | 66,464 | 67,470 | 74,233 | 74,139 |

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

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | As At 31.03.19 | As At 31.12.18 | As At 31.03.19 | As At 31.12.18 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Equity attributable to owners of the Company | | | | |
| Share capital | 144,099 | 144,099 | 144,099 | 144,099 |
| Treasury shares | (25) | (25) | (25) | (25) |
| Foreign currency translation reserve | (3,950) | (3,748) | – | – |
| Capital reserve | 5 | 5 | – | – |
| Revaluation reserve | 17,782 | 17,782 | – | – |
| Other reserves | (976) | (976) | – | – |
| Accumulated losses | (77,118) | (76,506) | (69,841) | (69,935) |
| | 79,817 | 80,631 | 74,233 | 74,139 |
| Non-controlling interests | (13,353) | (13,161) | – | – |
| Total equity | 66,464 | 67,470 | 74,233 | 74,139 |

1(b)(ii) In relation to the aggregate amount of group's borrowings and debt securities, please specify the following at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

Amount repayable in one year or less, or on demand

| As at 31.03.19 S\$'000 | | As at 31.12.18 S\$'000 | |
|---------------------------|-----------|---------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| 18,449 | – | 16,602 | – |

Amount repayable after one year

| As at 31.03.19 S\$'000 | | As at 31.12.18 S\$'000 | |
|---------------------------|-----------|---------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| 6,473 | – | 7,352 | – |

Details of any collaterals

The Group's secured borrowings comprise bank overdrafts, trust receipts and term loans.

The Group's term loans, overdrafts and trust receipts (collectively known as "**Amounts due to Bankers**") are secured on:

- (i) Subsidiaries' properties located at 47 and 49 Genting Road, Singapore 349489, at 11 Tuas Avenue 1, Singapore 639496, and at 12 Chin Bee Drive, Singapore 619868;
- (ii) Bank deposits pledged by the Company;
- (iii) Corporate guarantee by the Company;
- (iv) Personal guarantee and pledge of real property by a director of a subsidiary; and
- (v) Subsidiary's inventories.

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

| | Group | |
|---|---------------------------|-----------------|
| | For 3 Months Ended | |
| | 31.03.19 | 31.03.18 |
| | S\$'000 | S\$'000 |
| Cash flows from operating activities: | | |
| Loss before tax | (722) | (1,146) |
| <u>Adjustments for:</u> | | |
| Amortisation of intangible assets | 34 | 34 |
| Depreciation of property, plant and equipment | 511 | 510 |
| Depreciation of right-of-use assets | 93 | – |
| Gain on disposal of property, plant and equipment | – | (3) |
| Implicit interest income | (1) | (1) |
| Interest expense | 309 | 314 |
| Interest income | (61) | (311) |
| Loss on disposal of an associate | – | 442 |
| Write back of impairment loss on amount due from associates | – | (1) |
| Share of results of associates and joint venture | (16) | (575) |
| Exchange gain | (5) | (184) |
| Operating cash flows before changes in working capital | 142 | (921) |
| <u>(Increase)/decrease in:</u> | | |
| Inventories | 783 | 575 |
| Trade and other receivables | (1,465) | 4,062 |
| Contract assets | – | (12) |
| Financial receivable | 302 | 216 |
| Advance payment to suppliers | (210) | 521 |
| Prepayments | (4) | 73 |
| Deposits | 1 | 7 |
| Amounts due from associates | – | (81) |
| <u>(Decrease)/increase in:</u> | | |
| Trade and other payables | (2,821) | (4,321) |
| Contract liabilities | (109) | (482) |
| Amounts due to associates | – | (311) |
| Amount due to a related party | – | 48 |
| Provision for post employment benefits | 2 | (5) |
| Cash flows used in operations | (3,379) | (631) |
| Income taxes paid | (5) | (34) |
| Interest expense paid | (35) | – |
| Interest income received | 4 | 15 |
| Net cash flows used in operating activities | (3,415) | (650) |
| Cash flows from investing activities: | | |
| Interest income received | 5 | 3 |
| Purchase of property, plant and equipment | (320) | (82) |
| Proceeds from disposal of property, plant and equipment | – | 3 |
| Net cash flows used in investing activities | (315) | (76) |

| | Group | |
|---|---------------------------|-----------------|
| | For 3 Months Ended | |
| | 31.03.19 | 31.03.18 |
| | S\$'000 | S\$'000 |
| Cash flows from financing activities: | | |
| Interest expense paid | (232) | (389) |
| Proceeds from / (repayment of) secured bank overdrafts | 77 | (122) |
| Drawdown of term loans | 247 | 268 |
| Repayment of term loans | (1,066) | (1,228) |
| Increase/(decrease) in trust receipts | 1,667 | (985) |
| Principal elements of lease payments | (86) | – |
| Net cash flows generated from / (used in) financing activities | 607 | (2,456) |
| Net decrease in cash and cash equivalents | (3,123) | (3,182) |
| Effect of exchange rate changes on cash and cash equivalents | (7) | (133) |
| Cash and cash equivalents at beginning of period | 9,003 | 10,789 |
| Cash and cash equivalents at end of period | 5,873 | 7,474 |
| | | |

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at the balance sheet date:

| | Group | |
|--|---------------------------|-----------------|
| | For 3 Months Ended | |
| | 31.03.19 | 31.03.18 |
| | S\$'000 | S\$'000 |
| Cash and cash equivalents at the end of the period: | | |
| Cash and bank balances and fixed and bank deposits | 7,229 | 8,786 |
| Less: Bank deposits pledged | (1,356) | (1,312) |
| Cash and cash equivalents | 5,873 | 7,474 |
| | | |

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.

| GROUP | ← Attributable to owners of the Company → | | | | | | | | | | |
|---|---|----------------------------|-------------------------------|---|----------------------------|--------------------------------|---------------------------|---------------------------|---|--------------------------------------|-------------------------|
| | Share capital S\$'000 | Tresuary shares S\$'000 | Accumulated losses S\$'000 | Foreign currency translation reserve S\$'000 | Capital reserve S\$'000 | Revaluation reserve S\$'000 | Other reserves S\$'000 | Total reserves S\$'000 | Equity attributable to owners of the Company S\$'000 | Non-controlling interests S\$'000 | Total equity S\$'000 |
| Balance at 01.01.19 | 144,099 | (25) | (76,506) | (3,748) | 5 | 17,782 | (976) | (63,443) | 80,631 | (13,161) | 67,470 |
| Loss net of tax | – | – | (612) | – | – | – | – | (612) | (612) | (115) | (727) |
| Other comprehensive loss: | | | | | | | | | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | | | | | | | | | |
| Foreign currency translation | – | – | – | (156) | – | – | – | (156) | (156) | (77) | (233) |
| Share of other comprehensive loss of associates and joint venture | – | – | – | (46) | – | – | – | (46) | (46) | – | (46) |
| Total comprehensive loss for the period | – | – | (612) | (202) | – | – | – | (814) | (814) | (192) | (1,006) |
| Balance at 31.03.19 | 144,099 | (25) | (77,118) | (3,950) | 5 | 17,782 | (976) | (64,257) | 79,817 | (13,353) | 66,464 |

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

| GROUP | ← Attributable to owners of the Company → | | | | | | | | | | |
|---|---|----------------------------|-------------------------------|---|----------------------------|--------------------------------|---------------------------|---------------------------|---|--------------------------------------|-------------------------|
| | Share capital S\$'000 | Tresuary shares S\$'000 | Accumulated losses S\$'000 | Foreign currency translation reserve S\$'000 | Capital reserve S\$'000 | Revaluation reserve S\$'000 | Other reserves S\$'000 | Total reserves S\$'000 | Equity attributable to owners of the Company S\$'000 | Non-controlling interests S\$'000 | Total equity S\$'000 |
| Balance at 01.01.18 | 144,099 | – | (67,889) | (4,860) | 5 | 17,073 | (976) | (56,647) | 87,452 | (12,657) | 74,795 |
| Loss net of tax | – | – | (976) | – | – | – | – | (976) | (976) | (158) | (1,134) |
| Other comprehensive income: | | | | | | | | | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | | | | | | | | | |
| Foreign currency translation | – | – | – | (123) | – | – | – | (123) | (123) | (121) | (244) |
| Share of other comprehensive loss of associates and joint venture | – | – | – | (3) | – | – | – | (3) | (3) | – | (3) |
| Foreign currency translation on disposal of an associate reclassified to profit or loss | – | – | – | 690 | – | – | – | 690 | 690 | – | 690 |
| Total comprehensive (loss) / income for the period | – | – | (976) | 564 | – | – | – | (412) | (412) | (279) | (691) |
| Balance at 31.03.18 | 144,099 | – | (68,865) | (4,296) | 5 | 17,073 | (976) | (57,059) | 87,040 | (12,936) | 74,104 |

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

| The Company | Share capital | Treasury shares | Accumulated losses | Total equity |
|---|----------------------|------------------------|---------------------------|---------------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance at 01.01.19 | 144,099 | (25) | (69,935) | 74,139 |
| Profit for the period | – | – | 94 | 94 |
| Total comprehensive income for the period | – | – | 94 | 94 |
| Balance at 31.03.19 | 144,099 | (25) | (69,841) | 74,233 |
| Balance at 01.01.18 | 144,099 | – | (64,645) | 79,454 |
| Profit for the period | – | – | 742 | 742 |
| Total comprehensive income for the period | – | – | 742 | 742 |
| Balance at 31.03.18 | 144,099 | – | (63,903) | 80,196 |
| | | | | |

- 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 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.**

The Company did not issue any ordinary shares during the 3 months ended 31 March 2019.

The Company did not have any convertible securities as at 31 March 2019 (31 March 2018: Nil).

There were no subsidiary holdings as at 31 March 2019 (31 March 2018: Nil).

There were a total of 100,000 treasury shares held as at 31 March 2019 (31 March 2018: Nil).

- 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.**

| | Number of shares | |
|---|------------------|-------------|
| | 31.03.19 | 31.12.18 |
| Total number of issued shares | 140,767,484 | 140,767,484 |
| Less: Treasury shares | (100,000) | (100,000) |
| Total number of issued shares excluding treasury shares | 140,667,484 | 140,667,484 |
| | | |

- 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 held 100,000 treasury shares as at 31 March 2019. There were no sales, transfers, cancellation and/or use of treasury shares as at the end of 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.**

There were no sales, transfers, 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 standard or practice.**

The figures have not been audited nor reviewed by the Company's auditor.

- 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 annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with the audited financial statements for the year ended 31 December 2018, except that the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 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.

The Group has adopted all the new and revised standards which are effective for annual period beginning on or after 1 January 2019. The adoption of the new standards that are effective on 1 January 2019 did not result in any substantial change to the Group's and Company's accounting policies or have any significant impact on the financial statements, except for SFRS(I) 16 Leases.

Under SFRS(I) 16, the Group is required to recognise on the balance sheet a liability to make lease payments (i.e. lease liabilities) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use assets). The Group is also required to separately recognise the interest expense on the lease liability and depreciation charge on the right-of-use asset. The adoption has resulted in increases in total assets, total liabilities, depreciation charge and finance cost.

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

| | 3 Months Ended | |
|---|----------------|--------------|
| | 31.03.19 | 31.03.18 |
| (i) Based on the weighted average number of ordinary shares in issue | (0.44) cents | (0.69) cents |
| Weighted average number of ordinary shares in issue (excluding treasury shares) | 140,667,484 | 140,767,484 |
| (ii) On a fully diluted basis | (0.44) cents | (0.69) cents |
| Weighted average number of ordinary shares in issue (excluding treasury shares) | 140,667,484 | 140,767,484 |

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

| | Group | Company |
|----------------|--------------|----------------|
| | cents | cents |
| As at 31.03.19 | 56.74 | 52.77 |
| As at 31.12.18 | 57.32 | 52.71 |

Net asset value per share is calculated based on the number of ordinary shares in issue (excluding treasury shares) of 140,667,484 as at 31 March 2019 (31 December 2018: 140,667,484).

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 affect the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

CONSOLIDATED INCOME STATEMENT

Overview

The Group recorded a net loss attributable to shareholders of \$0.6 million compared to \$1.0 million in 1Q2018. Loss per ordinary share was 0.44 cents for 1Q2019 (1Q2018: loss per ordinary share of 0.69 cents).

Revenue

Revenue for 1Q2019 was \$10.3 million (1Q2018: \$13.8 million). Lower revenue was mainly due to lower activities in the Trading business segment. In 1Q2019, higher revenue registered by the fire detection and protection system business and the provision of procurement services to the infrastructure sector in Indonesia partially offset the weak demand for our flow line control product.

Gross profit

Gross profit of \$2.3 million for 1Q2019 was 19.2% lower than the \$2.8 million for 1Q2018. The decrease was the result of lower revenue recorded in 1Q2019 despite a marginally higher gross margin of 22.0% (1Q2018: 20.4%).

Other income

Other income of \$0.5 million for 1Q2019 was 53.6% lower compared to \$1.1 million for 1Q2018. Other income for 1Q2019 comprised mainly foreign exchange gain and sundry income whereas in 1Q2018 it included interest income of \$0.3 million from an investee company and fee of \$0.3 million received under a litigation funding agreement.

Selling and distribution costs

Selling and distribution costs of \$1.1 million for 1Q2019 (1Q2018: \$1.3 million) was 14.0% lower in line with lower revenue for the quarter.

Administrative and general costs

Administrative and general costs of \$2.3 million for 1Q2019 (1Q2018: \$2.8 million) was 19.9% lower compared to 1Q2018 mainly due to cost management efforts.

Other operating income / (expenses)

Other operating income of \$0.1 million for 1Q2019 (1Q2018: operating expense of \$1.3 million) comprised write back of impairment loss on doubtful receivables. In 1Q2018, other operating expenses comprised mainly foreign exchange loss and loss on disposal of an associate.

Finance costs

Finance costs of \$0.3 million for 1Q2019 (1Q2018: \$0.3 million) were comparable to 1Q2018.

Share of results of associates and joint venture

The Group's share of results of its associates and joint venture of \$16,000 for 1Q2019 were 97.2% lower than the \$0.6 million for 1Q2018. The higher 1Q2018 results was mainly due to the inclusion of an Indonesian associate company's 4Q2017 results in its 1Q2018 performance and higher 1Q2018 profits recorded by an associate company in Japan.

Income tax (expense) / credit

The Group recorded a tax expense of \$5,000 for 1Q2019 compared to a tax credit of \$12,000 for 1Q2018.

STATEMENT OF FINANCIAL POSITION FOR THE GROUP**Non-current assets**

Non-current assets increased by \$3.7 million to \$57.0 million (31 December 2018: \$53.3 million). The increase was mainly due to the recognition of right-of-use assets amounting to \$3.8 million under the newly introduced financial reporting standard SFRS (I) 16.

Current assets

Current assets decreased by \$2.6 million to \$61.8 million (31 December 2018: \$64.4 million). The decrease was mainly due to:

- a) Decrease in inventories of \$0.7 million; and
- b) Decrease in cash and bank balances of \$3.2 million resulting from settlement of trade payables that were due; partially offset by
- c) Increase in trade and other receivables of \$1.4 million.

Current liabilities

Current liabilities decreased by \$0.6 million to \$39.7 million (31 December 2018: \$40.3 million). The decrease was mainly due to:

- a) Decrease in trade and other payables of \$2.7 million; and partially offset by;
- b) Increase in amounts due to bankers of \$1.7 million as more facilities were drawn down to fund trading activities.

Non-current liabilities

Non-current liabilities increased by \$2.6 million to \$12.6 million (31 December 2018: \$10.0 million) mainly due to the recognition of lease liabilities amounting to \$3.5 million partially offset by a \$0.9 million decrease in term loans.

STATEMENT OF FINANCIAL POSITION FOR THE COMPANY**Non-current assets**

Non-current assets decreased marginally by \$37,000 to \$92.1 million (31 December 2018: \$92.2 million) mainly due to movement in carrying values of investment in subsidiaries.

Current assets

Current assets increased marginally by \$0.1 million to \$3.7 million (31 December 2018: \$3.6 million) mainly due to an increase in amounts due from subsidiaries of \$0.2 million partially offset by a decrease in cash and bank balances of \$57,000.

Current liabilities

Current liabilities increased by \$0.1 million to \$2.0 million (31 December 2018: \$1.9 million) mainly due to an increase in accruals for the quarter.

Non-current liabilities

Non-current liabilities decreased by \$0.1 million to \$19.6 million (31 December 2018: \$19.7 million) due to decrease in amounts due to subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

As at 31 March 2019, the Group's cash and cash equivalents, excluding pledged deposits, amounted to \$5.9 million. Operating activities and investing activities utilised cash of \$3.4 million and \$0.3 million respectively while financing activities generated \$0.6 million.

The net cash utilised by operating activities was mainly due to an increase in trade and other receivables of \$1.5 million and decrease in trade and other payables of \$2.8 million. The net cash used in investing activities was due to the purchase of property, plant and equipment.

The cash generated from financing activities was mainly due to an increase in trust receipts used to finance trading activities partially off set by repayment of term loans.

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 given.

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 Group expects the demand for its flow line control products to remain weak and will continue to bid for new projects that are anticipated to come on stream in the second half of 2019. While this segment has been challenging, the Group has been relatively active in the provision of procurement services to the infrastructure sector as well as the fire protection and detection system business and will continue it efforts in these growing segments.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

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 and the reason(s) for the decision.

No dividends have been declared or recommended as working capital is required for the Group's business activities.

13. Interested Person Transactions

The Company does not have a shareholders' mandate for interested person transactions ("IPT").

The aggregate value of all IPTs during the financial period under review is less than S\$100,000.

14. Negative Assurance Confirmation Statement on Interim Financial Statements

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to their attention which may render the interim financial statements for the period ended 31 March 2019, to be false or misleading in any material aspect.

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

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Koh Kian Kiong
Executive Chairman & CEO

Maggie Koh
Executive Director

10 May 2019