

SIN GHEE HUAT CORPORATION LTD

Company Registration No:197700475Z
Incorporated in Singapore



UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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

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

Consolidated Income Statement

	Group		Increase/ (Decrease) %
	First quarter ended		
	30/09/2019	30/09/2018	
	S\$'000	S\$'000	
Revenue	12,162	12,838	(5)
Cost of sales	(9,313)	(9,779)	(5)
Gross profit	2,849	3,059	(7)
Other operating income	65	111	(41)
Distribution costs	(1,421)	(1,356)	5
Administrative expenses	(867)	(843)	3
Impairment loss on trade and other receivables	(343)	(45)	>500
Results from operating activities	283	926	(69)
Finance income	43	76	(43)
Finance cost	(39)	(18)	117
Profit before tax	287	984	(71)
Tax expense	(62)	(245)	(75)
Net profit for the quarter	225	739	(70)
Earnings per share			
Basic (cents)	0.10	0.33	
Diluted (cents)	0.10	0.33	

1(a)(ii) Consolidated Statement of Comprehensive Income

	<u>Group</u>		Increase/ (Decrease) %
	First quarter ended		
	30/09/2019 S\$'000	30/09/2018 S\$'000	
Net profit for the quarter	225	739	(70)
Other comprehensive income:			
Foreign currency translation differences arising from consolidation	(15)	(50)	(70)
Total comprehensive income for the quarter	<u>210</u>	<u>689</u>	(70)
Attributable to:			
Equity holders of the Company	210	689	(70)
Total comprehensive income for the quarter	<u>210</u>	<u>689</u>	(70)

1(a)(iii) Net profit for the period has been arrived at after crediting/(charging) the following:

	<u>Group</u>	
	First quarter ended	
	30/09/2019 S\$'000	30/09/2018 S\$'000
Depreciation of property, plant and equipment	(166)	(290)
Depreciation of right-of-use assets	(40)	-
Foreign exchange gain, net	44	52
Allowance for inventory impairment, net	(25)	(343)
Allowance for doubtful debts, trade	(343)	(45)
Recovery of doubtful debts, trade	5	47

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

Statement of Financial Position

	Group		Company	
	30/9/2019 S\$'000	30/6/2019 S\$'000	30/9/2019 S\$'000	30/6/2019 S\$'000
Non-current assets				
Property, plant and equipment	10,593	8,663	10,486	8,538
Right-of-use assets	3,996	–	3,996	–
Investment in subsidiaries	–	–	6,524	6,524
Investment in joint venture	–	–	50	50
Trade and other receivables	995	1,334	7,152	7,491
Deferred tax assets	321	329	244	244
	<u>15,905</u>	<u>10,326</u>	<u>28,452</u>	<u>22,847</u>
Current assets				
Inventories	51,761	49,883	37,368	37,074
Trade and other receivables	14,837	14,408	17,033	15,721
Other financial assets	1,000	1,001	1,000	1,001
Cash and cash equivalents	12,269	15,101	10,284	13,521
	<u>79,867</u>	<u>80,393</u>	<u>65,685</u>	<u>67,317</u>
Total assets	<u>95,772</u>	<u>90,719</u>	<u>94,137</u>	<u>90,164</u>
Equity attributable to equity holders of the Company				
Share capital	45,750	45,750	45,750	45,750
Reserves	(52)	(37)	–	–
Retained earnings	40,216	39,991	40,283	40,141
Total equity	<u>85,914</u>	<u>85,704</u>	<u>86,033</u>	<u>85,891</u>
Non-current liabilities				
Lease liabilities	3,761	–	3,761	–
	<u>3,761</u>	<u>–</u>	<u>3,761</u>	<u>–</u>
Current liabilities				
Trade and other payables	4,728	4,483	3,526	3,751
Borrowings	533	–	–	–
Lease liabilities	250	–	250	–
Current tax liabilities	586	532	567	522
	<u>6,097</u>	<u>5,015</u>	<u>4,343</u>	<u>4,273</u>
Total liabilities	<u>9,858</u>	<u>5,015</u>	<u>8,104</u>	<u>4,273</u>
Total equity and liabilities	<u>95,772</u>	<u>90,719</u>	<u>94,137</u>	<u>90,164</u>

1(b)(ii) *Aggregate amount of group's borrowings and debt securities***Amount repayable in one year or less, or on demand (\$'000)**

<u>As at 30 September 2019</u>		<u>As at 30 June 2019</u>	
Secured	Unsecured	Secured	Unsecured
-	533	-	-

Amount repayable after one year (\$'000)

<u>As at 30 September 2019</u>		<u>As at 30 June 2019</u>	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

Not applicable

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

Consolidated Statement of Cash Flows

	Group	
	First quarter ended	
	30/9/2019	30/9/2018
	S\$'000	S\$'000
Cash flows from operating activities		
Profit for the period	225	739
Adjustments for :		-
Depreciation of property, plant and equipment	166	290
Depreciation of right-of-use assets	40	-
Finance income	(43)	(76)
Finance cost	39	18
Tax expense	62	245
	<u>489</u>	<u>1,216</u>
Changes in operating assets and liabilities:		
Trade and other receivables	(90)	(2,890)
Trade and other payables	245	570
Inventories	(1,878)	(153)
	<u>(1,234)</u>	<u>(1,257)</u>
Net cash used in operations	(1,234)	(1,257)
Income tax refund	-	20
Interest paid on lease	(38)	-
	<u>(1,272)</u>	<u>(1,237)</u>
Net cash used in operating activities	(1,272)	(1,237)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,096)	(11)
Interest received	44	76
	<u>(2,052)</u>	<u>65</u>
Net cash (used in)/generated from investing activities	(2,052)	65
Cash flows from financing activities		
Interest paid	(1)	(17)
Repayment of borrowings	-	(989)
Proceeds from borrowings	533	403
Payment of lease liabilities	(25)	-
	<u>507</u>	<u>(603)</u>
Net cash generated from/(used in) financing activities	507	(603)
Net decrease in cash and cash equivalents	(2,817)	(1,775)
Cash and cash equivalents at beginning of the period	15,101	26,274
Effect of exchange rate fluctuations	(15)	(50)
	<u>12,269</u>	<u>24,449</u>
Cash and cash equivalents at end of financial period	<u>12,269</u>	<u>24,449</u>
Cash and cash equivalents comprise:		
Cash and bank balances	7,269	12,449
Short-term bank deposits	5,000	12,000
	<u>12,269</u>	<u>24,449</u>

- (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.*

Consolidated Statement of Changes in Equity for the Group

	Share capital	Translation reserve	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 July 2019	45,750	(37)	39,991	85,704
Total comprehensive income for the quarter ended 30 September 2019	–	(15)	225	210
Balance as at 30 September 2019	45,750	(52)	40,216	85,914
Balance as at 1 July 2018	45,750	20	38,262	84,032
Total comprehensive income for the quarter ended 30 September 2018	–	(50)	739	689
Balance as at 30 September 2018	45,750	(30)	39,001	84,721

Statement of Changes in Equity for the Company

	Share capital	Retained earnings	Total
	S\$'000	S\$'000	S\$'000
Balance as at 1 July 2019	45,750	40,141	85,891
Total comprehensive income for the quarter ended 30 September 2019	–	142	142
Balance as at 30 September 2019	45,750	40,283	86,033
Balance as at 1 July 2018	45,750	38,512	84,262
Total comprehensive income for the quarter ended 30 September 2018	–	1,051	1,051
Balance as at 30 September 2018	45,750	39,563	85,313

- 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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.*

There was no change in the share capital of the Company during the period reported on. There were no outstanding convertibles and treasury shares as at 30 September 2019 and 30 September 2018.

- 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 30/09/2019	As at 30/06/2019
Number of shares in issue	222,000,000	222,000,000

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 report on:*

Not applicable.

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 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 paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the financial period reported are consistent with those in the most recently audited financial statements for the financial year ended 30 June 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 the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases with effect from 1 July 2019 using the modified retrospective approach. SFRS(I) 16 introduces a single, on-balance sheet lease accounting model. The rationale of the change is to better reflect the economic substance of lease transactions. It requires a lessee to recognise a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

In compliance with SFRS(I) 16, the Group and the Company have applied the practical expedient to recognise the amount of ROU assets equal to the lease liabilities as at 1 July 2019. Subsequent to initial recognition, the Group and the Company depreciate the ROU assets over the shorter of the useful life of the ROU assets and the lease term, and recognise interest expenses on the lease liabilities.

The ROU assets as at 30 September 2019 were mainly related to leases of the warehouses occupied by the Group and the Company. Accordingly, there was a corresponding increase in finance lease liabilities of approximately \$4.01 million as at 30 September 2019.

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	
	First quarter ended	
	30/09/2019	30/09/2018
Earnings per share (cents)		
(a) based on weighted average number of shares in issue	0.10	0.33
(b) on a fully diluted basis	0.10	0.33
Weighted average number of shares in issue	222,000,000	222,000,000

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	
	30/09/2019	30/06/2019	30/09/2019	30/06/2019
Net asset value per share based on issued share capital (cents)	38.7	38.6	38.8	38.7
Number of shares in issue	222,000,000	222,000,000	222,000,000	222,000,000

8. *A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:*

- (a) *any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and*
 (b) *any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on.*

Consolidated Income Statement for the first quarter ended 30 September 2019 (1Q2020)

The Group posted a slightly lower revenue of \$12.16 million (1Q2019: \$12.84 million) for 1Q2020 amid ongoing trade tensions.

Gross profit amount for the quarter declined to \$2.85 million (1Q2019: \$3.06 million) mainly due to lower sales revenue. Gross profit margin was relatively stable at 23% (1Q2019: 24%).

Other operating income was lower at \$65,000 (1Q2019: \$111,000) mainly due to lower foreign exchange gain of \$44,000 (1Q2019: \$52,000) and lower recovery of doubtful debts of \$5,000 (1Q2019: \$47,000).

Distribution costs and administrative expenses were slightly higher mainly because of increased manpower costs and rental expenses for temporary warehouse during the period of redevelopment of the Gul Crescent warehouse. Depreciation on right-of-use ("ROU") assets came into effect in 1Q2020 upon adoption of SFRS(I) 16 Leases.

Impairment loss on trade and other receivables was higher at \$343,000 (1Q2019: \$45,000) mainly due to provision amounting to \$339,000 made, as a matter of prudence, for amount due from the joint venture as recovery of the receivables had been slow.

Finance income for 1Q2020 was lower at \$43,000 (1Q2019: \$76,000) largely due to reduced short-term bank deposits.

Finance cost was higher at \$39,000 (1Q2019: \$18,000) mainly attributed to recognition of interest expenses on lease accounting following the adoption of SFRS(I) 16.

The above collectively resulted in a lower net profit of \$225,000 for the first quarter ended 30 September 2019 compared to \$739,000 in the corresponding quarter of the preceding financial year.

Statements of Financial Position and Cash Flows

Property, plant and equipment at 30 September 2019 were higher at \$10.59 million (30 June 2019: \$8.66 million) mainly due to the redevelopment of the warehouse at Gul Crescent now under way.

The Group's adoption of SFRS(I) 16 *Leases* necessitates the recognition of ROU assets and the corresponding lease liabilities effective from 1 July 2019. The ROU assets, which were mainly related to leases of the warehouses, were \$4.00 million, and the corresponding lease liabilities were \$4.01 million, as at 30 September 2019.

Trade and other receivables (current and non-current) were marginally higher at \$15.83 million (30 June 2019: \$15.74 million) largely due to higher prepayments to suppliers, as offset by impairment provision for amount due from the joint venture.

Inventories increased to \$51.76 million (30 June 2019: \$49.88 million) as materials purchased exceeded drawdown in the quarter. Trade and other payables were slightly higher at \$4.73 million (30 June 2019: \$4.48 million) mainly due to timing of payment to suppliers.

Borrowings of \$533,000 (30 June 2019: \$nil) arose from short-term financing for purchase of inventories during the quarter.

Net cash used in operations in 1Q2020 of \$1.23 million was mainly attributed to increase in inventories in the quarter, whilst net cash used in operations in 1Q2019 of \$1.26 million was mainly due to increase in trade and other receivables in that quarter.

Net cash used in investing activities in 1Q2020 of \$2.05 million was largely due to expenditure on the redevelopment of the warehouse facility as opposed to \$65,000 in positive net cash generated from investing activities in 1Q2019.

Net cash generated from financing activities in 1Q2020 was \$507,000 mainly from the proceeds of short-term bank borrowings, whereas 1Q2019 recorded net cash used in financing activities of \$603,000 as repayments of short-term borrowings exceeded the proceeds from borrowings.

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

The Group's performance for Q12020 was in line with the Statement in Paragraph 10 of the Company's previous results announcement dated 27 August 2019.

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.*

Trade tensions and worries on the global economic outlook have started to take their toll and we expect demand to be slightly muted in the face of these pressures. However, nickel and oil prices continue to be in a range providing underlying support, if and when the situation improves.

11. *Dividend*

(a) Current Financial Period Reported On

Any dividend declared 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

(e) The date on which Registrable Transfers received by the company 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.*

No dividend has been declared or recommended for the quarter ended 30 September 2019.

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 any general mandate from shareholders pursuant to Rule 920.

14. *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 that the undertakings under Rule 720(1) of the Listing Manual have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

Confirmation by Directors

Pursuant to Rule 705(5) of the Listing Manual, we, the undersigned, on behalf of the Board of Directors of the Company, confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the first quarter ended 30 September 2019 to be false or misleading in any material aspect.

Kua Ghim Siong
Chief Executive Officer

Kua Peng Chuan
Director

BY ORDER OF THE BOARD

Kua Ghim Siong
Chief Executive Officer

13 November 2019