

SOON LIAN HOLDINGS LIMITED
Co. Reg. No: 200416295G

UNAUDITED FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE
HALF YEAR ENDED 30 JUNE (“**HY**”) 2016

This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, SAC Advisors Private Limited (formerly known as Canaccord Genuity Singapore Pte. Ltd.) (the “**Sponsor**”) for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The Sponsor has not independently verified the contents of this announcement. 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.

The contact person for the Sponsor is Ms Lee Khai Yinn, at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542, telephone (65) 6532 3829.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF YEAR RESULTS

- 1(a)(i) An income statement and statement of comprehensive income, or a 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 and Other Comprehensive Income

	Group		
	<u>HY2016</u>	<u>HY2015</u>	<u>Change</u>
	S\$'000	S\$'000	%
Revenue	16,804	23,870	(29.6)%
Cost of Sales	(13,987)	(19,791)	(29.3)%
Gross Profit	2,817	4,079	(30.9)%
<u>Other Items of Income</u>			
Interest Income	1	4	(75.0)%
Other Gains	175	44	>100.0%
<u>Other Items of Expense</u>			
Marketing and Distribution Costs	(374)	(499)	(25.1)%
Administrative Expenses	(2,299)	(2,438)	(5.7)%
Finance Costs	(604)	(459)	31.6%
Other Losses	(610)	(127)	>100.0%
(Loss) Profit before Tax from Continuing Operations	(894)	604	NM
Income Tax Expense	(60)	(238)	(74.8)%
(Loss) Profit Net of Tax	(954)	366	NM
(Loss) Profit Attributable to Owners of the Parent, Net of Tax	(953)	364	NM
(Loss) Profit Attributable to Non-Controlling Interest, Net of Tax	(1)	2	NM
(Loss) Profit Net of Tax	(954)	366	NM

Consolidated Statement of Comprehensive Income

	Group		
	<u>HY2016</u>	<u>HY2015</u>	<u>Change</u>
	S\$'000	S\$'000	%
(Loss) Profit Net of Tax	(954)	366	NM
<u>Other Comprehensive (Loss) Income</u>			
Exchange Differences on Translating Foreign Operations, Net of Tax	(206)	38	NM
Other Comprehensive (Loss) Income for the Period, Net of Tax	(206)	38	NM
Total Comprehensive (Loss) Income	(1,160)	404	NM
Total Comprehensive (Loss) Income Attributable to Owners of the Parent	(1,159)	402	NM
Total Comprehensive (Loss) Income Attributable to Non-Controlling Interests	(1)	2	NM
Total Comprehensive (Loss) Income	(1,160)	404	NM

NM – Not meaningful

1(a)(ii) Notes to the Consolidated Statement of Comprehensive Income

(Loss) Profit before tax is arrived at after crediting (charging) the following:

	Group		
	<u>HY2016</u> S\$'000	<u>HY2015</u> S\$'000	<u>Change</u> %
Foreign exchange adjustment losses	(432)	(53)	>100.0%
Depreciation of property, plant and equipment	(611)	(580)	5.3%
Amortisation of intangible assets	(14)	–	NM
Directors' fee	(43)	(43)	–
Gains on disposal of property, plant and equipment	46	12	>100.0%
Reversal for impairment on trade receivables	36	4	>100.0%
Allowance for impairment on trade receivables	(115)	(36)	>100.0%
Reversal for impairment on inventories	42	1	>100.0%
Allowance for impairment on inventories	–	(38)	NM
Forward contract (losses) / gains – transactions not qualifying as hedges	(64)	2	NM
Interest expense	(604)	(459)	31.6%
Interest income	1	4	(75.0)%
Government grant income	51	25	>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>30.06.2016</u> S\$'000	<u>As at</u> <u>31.12.2015</u> S\$'000	<u>As at</u> <u>30.06.2016</u> S\$'000	<u>As at</u> <u>31.12.2015</u> S\$'000
ASSETS				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	24,579	25,053	–	–
Intangible Assets	112	129	–	–
Investments in Subsidiaries	–	–	11,871	11,871
Deferred Tax Assets	375	380	–	–
Total Non-Current Assets	25,066	25,562	11,871	11,871
<u>Current Assets</u>				
Inventories	23,709	28,060	–	–
Trade and Other Receivables	10,291	11,050	2,490	1,912
Other Assets	73	84	–	13
Cash and Cash Equivalents	2,734	1,165	43	46
Total Current Assets	36,807	40,359	2,533	1,971
Total Assets	61,873	65,921	14,404	13,842
EQUITY AND LIABILITIES				
Equity Attributable to Owners of the Parent				
Share Capital	10,579	10,579	10,579	10,579
Retained Earnings	18,278	19,231	3,201	2,671
Statutory Reserve	225	225	–	–
Foreign Currency Translation Reserve	(68)	138	–	–
Equity, Attributable to Owners of the Parent	29,014	30,173	13,780	13,250
Non-Controlling Interests	8	9	–	–
Total Equity	29,022	30,182	13,780	13,250
<u>Non-Current Liabilities</u>				
Other Financial Liabilities	13,391	13,753	–	–
Total Non-Current Liabilities	13,391	13,753	–	–
<u>Current Liabilities</u>				
Income Tax Payable	28	39	26	35
Trade and Other Payables	14,292	14,667	598	557
Other Financial Liabilities	5,140	7,280	–	–
Total Current Liabilities	19,460	21,986	624	592
Total Liabilities	32,851	35,739	624	592
Total Equity and Liabilities	61,873	65,921	14,404	13,842

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

Amount repayable in one year or less, or on demand

As at 30.06.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
859	15,081	896	17,577

Amount repayable after one year

As at 30.06.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
13,391	–	13,753	–

Details of any collaterals

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

The bank agreements for certain term loans, bank loans, bank overdrafts and other credit facilities are secured by (a) legal mortgages on the subsidiaries' leasehold and freehold properties, (b) corporate guarantees issued by the Company, and (c) joint and several personal guarantees from certain directors of the Group. The finance leases were secured by the leased assets.

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.

Consolidated Statement of Cash Flows

	<u>Group</u>	
	<u>HY2016</u>	<u>HY2015</u>
	<u>S\$'000</u>	<u>S\$'000</u>
<u>Cash Flows From Operating Activities</u>		
(Loss) Profit Before Tax	(894)	604
Interest Income	(1)	(4)
Interest Expense	604	459
Depreciation of Property, Plant and Equipment	611	580
Amortisation of Intangible Assets	14	–
Forward Contract Losses (Gains) – Transactions Not Qualifying as Hedges	64	(2)
Gains on Disposal of Property, Plant and Equipment	(46)	(12)
Net Effect of Exchange Rate Changes in Consolidating Foreign Operations	(175)	53
Operating Cash Flows before Changes in Working Capital	177	1,678
Inventories	4,351	(3,984)
Trade and Other Receivables	708	548
Other Assets	11	(78)
Trade and Other Payables	3,819	256
Net Cash Flows From (Used in) Operations	9,066	(1,580)
Income Taxes Paid	(18)	(69)
Net Cash Flows From (Used in) Operating Activities	9,048	(1,649)
<u>Cash Flows From Investing Activities</u>		
Disposal of Property, Plant and Equipment	46	24
Purchase of Property, Plant and Equipment (Note B)	(103)	(491)
Interest Received	1	4
Net Cash Flows Used in Investing Activities	(56)	(463)
<u>Cash Flows From Financing Activities</u>		
Decrease in Borrowings	(13,023)	(607)
Increase from New Borrowings	6,029	2,000
Dividends paid to Equity Owners	–	(1,080)
Interest Paid	(604)	(459)
Net Cash Flows Used in Financing Activities	(7,598)	(146)
Net Increase (Decrease) in Cash and Cash Equivalents	1,394	(2,258)
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Beginning Balance	(1,535)	6,441
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Ending Balance (Note A)	(141)	4,183

Note A

Cash and cash equivalents in the consolidated statement of cash flows comprised the following :

	<u>Group</u>	
	<u>HY2016</u>	<u>HY2015</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Cash and cash equivalents at end of the financial period	2,734	4,259
Bank overdrafts	(2,875)	(76)
	<hr/> (141) <hr/>	<hr/> 4,183 <hr/>

Note B

Non-cash transactions :

There were acquisitions of plant and equipment with a total cost of S\$59,000 (HY2015: S\$185,000) acquired by means of finance leases.

1(d)(i) A statement (for the group and issuer) 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

	<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	<u>Non-controlling Interests</u> S\$'000
Current Period:							
Opening Balance at 1 January 2016	30,182	30,173	10,579	19,231	138	225	9
Movements in Equity							
Total Comprehensive Loss for the Period	(1,160)	(1,159)	–	(953)	(206)	–	(1)
Closing Balance at 30 June 2016	29,022	29,014	10,579	18,278	(68)	225	8

	<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	<u>Non-controlling Interests</u> S\$'000
Previous Period:							
Opening Balance at 1 January 2015	33,207	33,191	10,579	22,246	141	225	16
Movements in Equity							
Dividend Paid	(1,080)	(1,080)	–	(1,080)	–	–	–
Total Comprehensive Income for the Period	404	402	–	364	38	–	2
Closing Balance at 30 June 2015	32,531	32,513	10,579	21,530	179	225	18

COMPANY

	Total Equity	Share Capital	Retained Earnings
	S\$'000	S\$'000	S\$'000
Current Period:			
Opening Balance at 1 January 2016	13,250	10,579	2,671
Movements in Equity:			
Total Comprehensive Income for the Period	530	–	530
Closing Balance at 30 June 2016	13,780	10,579	3,201
Previous Period:			
Opening Balance at 1 January 2015	12,139	10,579	1,560
Movements in Equity:			
Dividends Paid	(1,080)	–	(1,080)
Total Comprehensive Income for the Period	2,313	–	2,313
Closing Balance at 30 June 2015	13,372	10,579	2,793

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 were no changes in the Company's share capital from 1 January 2016 to 30 June 2016. There were no outstanding convertibles and treasury shares as at 30 June 2016 and 30 June 2015.

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 30.06.2016	As at 31.12.2015
108,000,000	108,000,000

The Company did not have any treasury shares as at 30 June 2016 and 31 December 2015.

1(d)(iv) A statement showing all sales, transfers, disposals, 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, disposal, cancellation and/or use of treasury shares as at 30 June 2016.

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. The figures have not been audited or reviewed 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.

Except as disclosed in item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period reported on, which are consistent with the audited financial statements for the financial year ended 31 December 2015.

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 applicable new and revised Singapore Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("Interpretations FRS") which became effective for the accounting periods beginning on or after 1 January 2016. The adoption of these new and revised FRS and Interpretations FRS is not expected to result in material adjustments to the financial position, results of operations or cash flows of the Group for the financial period ended 30 June 2016.

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	
	HY2016	HY2015
(Loss) / Earnings per ordinary share ("EPS") for the financial period based on net profit after tax attributable to Owners of the Parent		
(i) Based on the weighted average number of ordinary shares on issue	(0.88) cents	0.34 cents
(ii) On a fully diluted basis	(0.88) cents	0.34 cents
Weighted average number of ordinary shares on issue	108,000,000	108,000,000

The Group's basic and diluted EPS for HY2016 and HY2015 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	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Net asset value per ordinary share (cents)	26.9	27.9	12.8	12.3

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 2016 and 31 December 2015.

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 decreased by S\$7.1 million or 29.6% from S\$23.9 million in HY2015 to S\$16.8 million in HY2016. This was mainly due to the decrease in sales to our customers in the marine industry as well as to stockists and traders. The decrease was partially offset by a marginal increase in sales to customers in the precision engineering industry.

Sales to customers in the marine industry decreased by S\$4.0 million in HY2016 as compared to HY2015, mainly due to the scaling down in shipbuilding activities by our customers in tandem with the challenging market conditions. Sales to the stockists and traders decreased by S\$3.3 million in HY2016 as compared to HY2015, mainly due to a decrease in demand from overseas stockists and traders. Sales to customers in the precision engineering industry increased by S\$0.2 million in HY2016 as compared to HY2015.

Gross profit decreased by S\$1.3 million or 30.9% from S\$4.1 million in HY2015 to S\$2.8 million in HY2016, largely in line with the decrease in revenue. The Group's gross profit margin decreased by 0.3 percentage points from 17.1% in HY2015 to 16.8% in HY2016 mainly attributable to a decrease in the average selling price of our products.

Other gains increased by S\$0.1 million from S\$44,000 in HY2015 to S\$175,000 in HY2016. Other gains in HY2016 comprised mainly gains from disposal of property, plant and equipment of S\$46,000 and the reversals for impairment on trade receivables and inventories of S\$36,000 and S\$42,000 respectively and government grant income of S\$51,000.

Marketing and distribution costs decreased by S\$0.1 million or 25.1%, from S\$0.5 million in HY2015 to S\$0.4 million in HY2016, mainly due to a decrease in exhibition expenses which the Company incurred in order to promote its aluminium alloy products.

Administrative expenses decreased by S\$0.1 million or 5.7%, from S\$2.4 million in HY2015 to S\$2.3 million in HY2016, mainly due to a decrease in payroll expenses as a result of lower staff costs of S\$0.1 million.

Finance costs increased by S\$0.1 million or 31.6%, from S\$0.5 million in HY2015 to S\$0.6 million in HY2016, due mainly to an increase in interest expenses as a result of higher utilisation of bank overdraft facilities and loans from a related party.

Other losses increased by S\$0.5 million from S\$0.1 million in HY2015 to S\$0.6 million in HY2016. Other losses in HY2016 comprised mainly foreign exchange adjustment loss of S\$0.4 million and allowance for impairment on trade receivables of S\$0.1 million.

The Group recorded a loss before tax of S\$0.9 million in HY2016 as compared to a profit before tax of S\$0.6 million in HY2015, due mainly to the aforesaid reasons.

(b)(i) Statement of Financial Position

Non-current assets decreased by S\$0.5 million from S\$25.6 million as at 31 December 2015 to S\$25.1 million as at 30 June 2016 mainly due to the depreciation charges in HY2016.

Current assets decreased by S\$3.6 million from S\$40.4 million as at 31 December 2015 to S\$36.8 million as at 30 June 2016, mainly due to the decrease in inventories of S\$4.4 million and trade and other receivables of S\$0.8 million, partially offset by an increase in cash and cash equivalents of S\$1.6 million. The decrease in inventories and trade and other receivables was mainly due to the decrease in purchases as a result of lower sales in HY2016.

Non-current liabilities decreased by S\$0.4 million, from S\$13.8 million as at 31 December 2015 to S\$13.4 million as at 30 June 2016, mainly due to the repayment of long-term bank loans of S\$0.3 million and finance leases of S\$0.1 million.

Current liabilities decreased by S\$2.5 million, from S\$22.0 million as at 31 December 2015 to S\$19.5 million as at 30 June 2016, mainly due to the repayment of short-term bank borrowings of S\$2.1 million and a decrease in trade and other payables of S\$0.4 million arising mainly from lower bills payables, partially offset by an increase in loans from a related party.

The Group reported a positive working capital position of S\$17.3 million as at 30 June 2016.

Total equity decreased by S\$1.2 million, from S\$30.2 million as at 31 December 2015 to S\$29.0 million as at 30 June 2016, mainly due to a decrease in retained earnings of S\$1.0 million as a result from the loss net of tax for HY2016 as well as the exchange loss on translating foreign operations of S\$0.2 million in HY2016.

(b)(ii) Statement of Cash Flows

In HY2016, operating cash flow before changes in working capital amounted S\$0.2 million arising mainly from the Group's loss before tax of S\$0.9 million, adjusted for interest expense of S\$0.6 million, depreciation of property, plant and equipment of S\$0.6 million and net effect of exchange rate changes in consolidating foreign operations of S\$0.2 million. Net cash from operating activities of S\$8.9 million was mainly due to a decrease in inventories and trade and other receivables of S\$4.4 million and S\$0.7 million respectively, as well as an increase in trade and other payables of S\$3.8 million.

Net cash used in financing activities amounted to S\$7.6 million, mainly due to the repayment of bills payables, short-term bank loans, bank overdrafts and finance leases of S\$13.0 million and interest payment of S\$0.6 million, partially offset by an increase in new borrowings of S\$6.0 million.

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

The Company had previously announced a profit guidance on 18 July 2016. No variance was noted and save for the aforementioned announcement, 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 Group continues to feel the impact of lower oil prices which have significantly softened demand from our customers in the marine industries. Oil prices bottomed out at under US\$30 per barrel in early 2016 and have since only recovered to over US\$40 per barrel. Floundering oil prices have translated into a weak market and is projected to continue on a bearish trend.

We also continue to grapple with rampant fluctuations in foreign exchange rates which could potentially impact our returns. Other notable factors include the United Kingdom's vote to leave the European Union. The International Monetary Fund's July 2016 report said that the vote had resulted in a weaker pound sterling, lower equity prices in European banks and lower yields for safe assets. Global recovery had also become even more uncertain.

For the upcoming half of the financial year, we maintain a conservative outlook. We will continue to carefully rebalance our customer portfolio with more precision engineering projects to lessen the adverse impact from the fall in demand from the marine segments. We will also resume ongoing efforts to refine our operating processes to improve efficiency and build resilience in view of the challenging business conditions 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) Books closure date

Not applicable

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

No dividend has been declared/recommended for the HY2016.

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

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

In HY2016, the Company’s wholly-owned subsidiary, Soon Lian Hardware (Pte.) Ltd., obtained unsecured short-term loans (“**Loans**”) from Soon Tien Holdings Pte. Ltd. (“**ST**”), a controlling shareholder of the Company amounting to S\$5.0 million. The Loans consist of (a) an interest-free loan of S\$1.0 million and (b) a S\$4.0 million loan with an interest rate at the higher of 1.75% per annum over the bank’s cost of funds or 1.75% per annum over the applicable swap offer rate. Pursuant to Chapter 9 of the Catalist Rules, ST is considered an interested person and the Loans from ST to the Group are considered interested person transactions. However, the the amount at risk is only the interest expense incurred on one of the Loans.

There are no interested person transactions, including the amount at risk of the Loans, of S\$100,000 or more during HY2016.

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

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

We, Tan Yee Chin and Tan Yee Ho, the undersigned, being directors of Soon Lian Holdings Limited (the “**Company**”), do hereby confirm on behalf of the board of directors of the Company (“**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 2016 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

TAN YEE CHIN
Chairman and CEO

TAN YEE HO
Executive Director

03 August 2016