

**BROADWAY INDUSTRIAL GROUP LIMITED**

Company Registration No. 199405266K

**Second Quarter Financial Statement Announcement For the Period Ended 30 June 2020**

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

- 1(a) 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.

	Note	Group			Group		
		Quarter ended		Increase/ (Decrease) %	Year to date		Increase/ (Decrease) %
		30-06-20 S\$'000	30-06-19 S\$'000		30-06-20 S\$'000	30-06-19 S\$'000	
Revenue		99,483	63,198	57.4	191,130	130,340	46.6
Cost of sales		(92,670)	(62,012)	49.4	(178,393)	(128,220)	39.1
Gross profit		6,813	1,186	n.m.	12,737	2,120	n.m.
Distribution expenses		(304)	(483)	(37.1)	(730)	(923)	(20.9)
Administrative expenses		(2,492)	(2,744)	(9.2)	(5,163)	(5,810)	(11.1)
Sales and marketing expenses		(71)	(184)	(61.4)	(178)	(342)	(48.0)
Other (expenses)/income	1	(814)	72	n.m.	1,039	(1,702)	n.m.
Results from operating activities		3,132	(2,153)	n.m.	7,705	(6,657)	n.m.
Finance income		3	12	(75.0)	8	20	(60.0)
Finance costs		(275)	(479)	(42.6)	(688)	(896)	(23.2)
Net finance costs		(272)	(467)	(41.8)	(680)	(876)	(22.4)
Profit/(Loss) before income tax	2	2,860	(2,620)	n.m.	7,025	(7,533)	n.m.
Income tax expense	3	(260)	(90)	188.9	(261)	(240)	8.8
Profit/(Loss) from continuing operations, net of tax		2,600	(2,710)	n.m.	6,764	(7,773)	n.m.
Loss from discontinued operations, net of tax		-	(3)	(100.0)	-	(166)	(100.0)
<b>Profit/(Loss) for the period</b>		<b>2,600</b>	<b>(2,713)</b>	<b>n.m.</b>	<b>6,764</b>	<b>(7,939)</b>	<b>n.m.</b>
<b>Other comprehensive (loss)/income :</b>							
<b>Items that are or may be reclassified subsequently to profit or loss:</b>							
Exchange differences on translating foreign operations		(1,068)	(72)	n.m.	1,399	(487)	n.m.
<b>Total comprehensive income/(loss)</b>		<b>1,532</b>	<b>(2,785)</b>	<b>n.m.</b>	<b>8,163</b>	<b>(8,426)</b>	<b>n.m.</b>
<b>Profit/(Loss) attributable to :</b>							
Owners of the Company		2,600	(2,712)	n.m.	6,764	(7,853)	n.m.
Non-controlling interests		-	(1)	(100.0)	-	(86)	(100.0)
<b>Profit/(Loss) for the period</b>		<b>2,600</b>	<b>(2,713)</b>	<b>n.m.</b>	<b>6,764</b>	<b>(7,939)</b>	<b>(185.2)</b>
<b>Total comprehensive income/(loss) attributable to :</b>							
Owners of the Company		1,533	(2,787)	n.m.	8,162	(8,352)	n.m.
Non-controlling interests		(1)	2	n.m.	1	(73)	n.m.
<b>Total comprehensive income/(loss)</b>		<b>1,532</b>	<b>(2,785)</b>	<b>n.m.</b>	<b>8,163</b>	<b>(8,426)</b>	<b>n.m.</b>

n.m. - not meaningful

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<b>Notes to Income Statement</b>	<b>Group</b>			<b>Group</b>		
	Quarter ended		Increase/	Year to date		Increase/
	30-06-20	30-06-19	(Decrease)	30-06-20	30-06-19	(Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<b>1 ) Other (expenses)/income</b>						
Foreign exchange (losses)/gains, net	(1,054)	(699)	50.8	238	(2,586)	n.m.
Unrealised fair value (losses)/gains on financial derivatives, net	-	(3)	(100.0)	(30)	181	n.m.
Gain/(loss) on disposal of property, plant & equipment	-	10	(100.0)	129	66	95.5
Redundancy costs	(114)	(67)	70.1	(118)	(637)	(81.5)
Reversal of allowance for doubtful receivables	-	-	n.m.	129	-	n.m.
Scrap income	195	602	(67.6)	393	779	(49.6)
Government grant	145	35	n.m.	262	263	(0.4)
Others	14	194	(92.8)	36	232	(84.5)
	(814)	72	n.m.	1,039	(1,702)	n.m.
<b>2 ) Profit/(loss) before income tax included</b>						
Depreciation of property, plant and equipment	(3,456)	(3,340)	3.5	(6,923)	(6,535)	5.9
Depreciation of right-of-use assets	(439)	(447)	(1.8)	(879)	(893)	(1.6)
<b>3 ) Income tax expense</b>						
Current income tax	(379)	(90)	n.m.	(380)	(240)	58.3
Over provision in prior years	119	-	n.m.	119	-	n.m.
	(260)	(90)	188.9	(261)	(240)	8.8

n.m. - not meaningful

1b(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	
	30-06-20	31-12-19	30-06-20	31-12-19
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Assets</b>				
Property, plant and equipment	86,752	89,588	64	72
Right-of-use assets	7,575	8,129	335	408
Investments in subsidiaries	-	-	91,400	91,400
Other investments	3,062	101	47	47
<b>Total non-current assets</b>	<b>97,389</b>	<b>97,818</b>	<b>91,846</b>	<b>91,927</b>
Financial derivatives	-	29	-	-
Inventories	25,269	35,829	-	-
Trade and other receivables	50,323	50,408	19,865	22,218
Other assets	1,114	762	20	1
Cash and cash equivalents	15,962	8,722	992	455
<b>Total current assets</b>	<b>92,668</b>	<b>95,750</b>	<b>20,877</b>	<b>22,674</b>
<b>Total assets</b>	<b>190,057</b>	<b>193,568</b>	<b>112,723</b>	<b>114,601</b>
<b>Equity</b>				
Share capital	113,164	113,163	113,164	113,163
Accumulated losses	(30,318)	(37,082)	(2,788)	(1,000)
Other reserves	(12,857)	(14,251)	27	31
<b>Equity attributable to owners of the Company</b>	<b>69,989</b>	<b>61,830</b>	<b>110,403</b>	<b>112,194</b>
Non-controlling interests	25	24	-	-
<b>Total equity</b>	<b>70,014</b>	<b>61,854</b>	<b>110,403</b>	<b>112,194</b>
<b>Liabilities</b>				
Other liabilities	1,669	1,496	-	-
Lease liabilities	6,231	6,459	187	268
Other payables	1,361	1,802	-	-
<b>Total non-current liabilities</b>	<b>9,261</b>	<b>9,757</b>	<b>187</b>	<b>268</b>
Income tax payable	4,205	7,507	5	5
Loans and borrowings	21,553	28,505	-	-
Lease liabilities	1,489	1,647	129	107
Trade and other payables	83,535	84,298	1,999	2,027
<b>Total current liabilities</b>	<b>110,782</b>	<b>121,957</b>	<b>2,133</b>	<b>2,139</b>
<b>Total liabilities</b>	<b>120,043</b>	<b>131,714</b>	<b>2,320</b>	<b>2,407</b>
<b>Total equity and liabilities</b>	<b>190,057</b>	<b>193,568</b>	<b>112,723</b>	<b>114,601</b>

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

Amount repayable in one year or less, or on demand

As at 30-06-20		As at 31-12-19	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
21,553	0	28,505	0

Amount repayable after one year

As at 30-06-20		As at 31-12-19	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
0	0	0	0

Details of any collaterals

The Group's borrowings and debt securities relate to bank loans which are guaranteed by a subsidiary in the Group and land and buildings of a subsidiary.

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

	Group		Group	
	Quarter ended		Year to date	
	30-06-20	30-06-19	30-06-20	30-06-19
	S\$'000	S\$'000	S\$'000	S\$'000
<b><u>Continuing operations</u></b>				
<b><u>Cash flows from operating activities</u></b>				
<b>Profit/(Loss) before income tax</b>	<b>2,860</b>	<b>(2,620)</b>	<b>7,025</b>	<b>(7,533)</b>
<b>Adjustments for :</b>				
Depreciation of property, plant and equipment	3,456	3,340	6,923	6,535
Depreciation of right-of-use assets	439	447	879	893
Equity-settled share-based payment transactions	-	5	(5)	(9)
Fair value losses/(gains) on financial derivatives, net	-	3	30	(181)
Gains on disposal of property, plant and equipment	-	(10)	(129)	(66)
Reversal of allowance for doubtful receivables	-	-	(129)	-
Interest expense	275	479	688	896
Interest income	(3)	(12)	(8)	(20)
<b>Operating cash flows before changes in working capital</b>	<b>7,027</b>	<b>1,632</b>	<b>15,274</b>	<b>515</b>
Inventories	6,944	(4,592)	11,908	(8,045)
Trade and other receivables	(4,410)	13,493	2,050	36,048
Other assets	112	509	(325)	(368)
Trade and other payables	(205)	(5,020)	(2,007)	(14,699)
Other liabilities	173	160	119	212
Net cash flows from operations	9,641	6,182	27,019	13,663
Income tax paid	(32)	(10)	(32)	(230)
<b>Net cash flows from operating activities</b>	<b>9,609</b>	<b>6,172</b>	<b>26,987</b>	<b>13,433</b>
<b><u>Cash flows from investing activities</u></b>				
Acquisition of an investment	(2,459)	-	(2,961)	-
Purchase of property, plant and equipment	(509)	(1,855)	(1,745)	(3,526)
Proceeds from disposal of property, plant and equipment	-	12	129	68
Interest income received	3	12	8	20
<b>Net cash flows used in investing activities</b>	<b>(2,965)</b>	<b>(1,831)</b>	<b>(4,569)</b>	<b>(3,438)</b>
<b><u>Cash flows from financing activities</u></b>				
Proceeds from bank borrowings	29,754	77,772	65,621	132,403
Repayments of bank borrowings	(33,182)	(81,562)	(72,859)	(142,300)
Payment of principal portion of lease liabilities	(339)	(488)	(669)	(911)
Interest expense paid	(275)	(479)	(688)	(896)
<b>Net cash flows used in financing activities</b>	<b>(4,042)</b>	<b>(4,757)</b>	<b>(8,595)</b>	<b>(11,704)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,602</b>	<b>(416)</b>	<b>13,823</b>	<b>(1,709)</b>
<b><u>Discontinued operations</u></b>				
Net cash flows from/(used in) operating activities	-	57	(5,073)	49
Net cash flows used in financing activities	-	(65)	-	(139)
<b>Net decrease in cash and cash equivalents</b>	<b>-</b>	<b>(8)</b>	<b>(5,073)</b>	<b>(90)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,602</b>	<b>(424)</b>	<b>8,750</b>	<b>(1,799)</b>
<b>Cash and cash equivalents, beginning balance</b>	<b>12,060</b>	<b>10,576</b>	<b>8,717</b>	<b>11,522</b>
Effect of exchange rate fluctuations on cash held	1,294	909	(1,510)	1,338
Restricted cash (fixed deposits pledged as security)	5	5	5	5
<b>Cash and cash equivalents, ending balance</b>	<b>15,962</b>	<b>11,066</b>	<b>15,962</b>	<b>11,066</b>

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.

	Other reserves					(Accumulated losses)/retained earnings S\$'000	Total attributable to owners of the Company S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Treasury shares S\$'000	Capital reserve S\$'000	Share-based payment reserve S\$'000	Translation reserve S\$'000				
<b>The Group</b>									
<b>At 1 January 2020</b>	113,163	(404)	2,924	435	(17,206)	(37,082)	61,830	24	61,854
Total comprehensive income for the period	-	-	-	-	2,465	4,164	6,629	2	6,631
Share-based payment	-	-	-	(5)	-	-	(5)	-	(5)
<b>At 31 March 2020</b>	113,163	(404)	2,924	430	(14,741)	(32,918)	68,454	26	68,480
Total comprehensive (loss)/income for the	-	-	-	-	(1,067)	2,600	1,533	(1)	1,532
Share-based payment	1	8	-	(7)	-	-	2	-	2
<b>At 30 June 2020</b>	113,164	(396)	2,924	423	(15,808)	(30,318)	69,989	25	70,014

	Other reserves					Retained earnings S\$'000	Equity attributable to owners of the Company S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Reserve for own shares S\$'000	Capital reserve S\$'000	Share option reserve S\$'000	Translation reserve S\$'000				
<b>The Group</b>									
<b>At 1 January 2019</b>	113,155	(386)	2,924	474	(16,651)	(15,708)	83,808	(1,572)	82,236
Total comprehensive loss for the period	-	-	-	-	(425)	(5,141)	(5,566)	(75)	(5,641)
Share-based payment	-	-	-	(14)	-	-	(14)	-	(14)
<b>At 31 March 2019</b>	113,155	(386)	2,924	460	(17,076)	(20,849)	78,228	(1,647)	76,581
Total comprehensive (loss)/income for the	-	-	-	-	(75)	(2,712)	(2,787)	2	(2,785)
Share-based payment	8	24	-	(27)	-	-	5	-	5
<b>At 30 June 2019</b>	113,163	(362)	2,924	433	(17,151)	(23,561)	75,446	(1,645)	73,801

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	Other reserves			Retained earnings S\$'000	Total equity S\$'000
	Share capital S\$'000	Treasury shares S\$'000	Share-based payment reserve S\$'000		
<b>The Company</b>					
<b>At 1 January 2020</b>	113,163	(404)	435	(1,000)	112,194
Total comprehensive loss for the period	-	-	-	(1,389)	(1,389)
Share-based payment	-	-	(5)	-	(5)
<b>At 31 March 2020</b>	113,163	(404)	430	(2,389)	110,800
Total comprehensive loss for the period	-	-	-	(399)	(399)
Share-based payment	1	8	(7)	-	2
<b>At 30 June 2020</b>	113,164	(396)	423	(2,788)	110,403
<b>At 1 January 2019</b>	113,155	(386)	474	10,258	123,501
Total comprehensive loss for the period	-	-	-	(460)	(460)
Share-based payment	-	-	(14)	-	(14)
<b>At 31 March 2019</b>	113,155	(386)	460	9,798	123,027
Total comprehensive loss	-	-	-	(480)	(480)
Share-based payment	8	24	(27)	-	5
<b>At 30 June 2019</b>	113,163	(362)	433	9,318	122,552

- 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.

During the period, 75,000 treasury shares were issued to our employees pursuant to the BIGL Share Plan.

As at 30 Jun 2020, there were nil (30 Jun 2019 : 330,000) outstanding share options in respect of unissued ordinary shares under the BIGL Share Option Scheme 2001.

As at 30 Jun 2020, there were 180,000 (30 Jun 2019 : 355,000) outstanding shares in respect of unissued ordinary shares under the BIGL Share Plan.

As at 30 Jun 2020, there were 3,693,050 (30 Jun 2019 : 2,776,050) shares held as treasury shares.

As at 30 Jun 2020 and 30 Jun 2019, there were no subsidiary holdings.

Total number of issued shares excluding treasury shares as at 30 Jun 2020 was 468,221,561 (30 Jun 2019 : 469,138,561).

- 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.

Total number of issued shares excluding treasury shares as at 30 Jun 2020 was 468,221,561 (31 Dec 2019 : 468,146,561).

- 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.

From 1 Jan 2020 to 30 Jun 2020, 75,000 treasury shares were issued to our employees pursuant to the BIGL Share Plan.

- 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.

As at 30 Jun 2020, there were no sales, transfers, cancellation and/or use of subsidiary holdings.

- 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.

- 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.

Not applicable.

b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

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.

There were no changes in the accounting policies and methods of computation adopted in the financial statements of the Group for the current reporting period as compared to the most recently audited financial statements for the reporting year ended 31 December 2019.

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

N.A.



- 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 :-

Earnings/(loss) per ordinary share	Quarter ended		Year to date	
	30-06-20	30-06-19	30-06-20	30-06-19
Based on weighted average number of ordinary shares in issue (cents)	0.56	(0.58)	1.44	(1.67)
On a fully diluted basis (cents)	0.56	(0.58)	1.44	(1.67)

a) Earnings per ordinary share is calculated based on weighted average number of ordinary shares (excluding treasury shares) of 468,161,094 ordinary shares (30 Jun 2019 : 469,008,271 ordinary shares).

b) Diluted earnings per ordinary share is calculated based on weighted average number of ordinary shares (excluding treasury shares) of 468,414,007 ordinary shares (30 Jun 2019 : 469,557,045 ordinary shares).

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

Net asset value per ordinary share	As at 30-06-20	As at 31-12-19
Group (cents)	14.95	13.21
Company (cents)	23.58	23.97

Net asset value per ordinary share is calculated based on number of ordinary shares at 30 Jun 2020 of 468,221,561 ordinary shares (31 Dec 2019 : 468,146,561 ordinary shares).

- 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.

#### Revenue and Gross Profit

The Group's revenue increased by 57.4% to S\$99.5 million in 2Q2020 from S\$63.2 million in 2Q2019, mainly due to higher average selling prices from product mix shift towards higher value enterprise server class (or nearline) products. The volume of nearline products grew by 50% year-on-year, to over 40% of the total volume sold.

The Group posted 46.6% increase in revenue from S\$130.3 million in the first half of 2019 to S\$191.1 million in the first half of 2020 due to the above reason.

The Group's gross profit margin increased to 6.8% in 2Q2020 as compared to 1.9% in 2Q2019 as a result of continued cost reduction effort in the Group's entire operations, better working capital management, productivity and efficiency improvement initiatives.

#### Operating Expenses

Distribution expenses decreased by 37.1% to S\$0.3 million in 2Q2020 from S\$0.5 million in 2Q2019 mainly due to improved logistics management.

Administrative expenses decreased by 9.2% to S\$2.5 million in 2Q2020 from S\$2.7 million in 2Q2019 mainly due to lower professional fees and travelling expenses in 2Q2020.

Sales and marketing expenses decreased to S\$0.1 million in 2Q2020 from S\$0.2 million in 2Q2019 mainly due to lower headcount related expenses in 2Q2020.

The Group recorded net other expenses of S\$0.8 million in 2Q2020 as compared to net other income of S\$0.1 million in 2Q2019. The net other expenses in 2Q2020 consisted mainly of net foreign exchange losses of S\$1.1 million that arose from the weakening of the Singapore dollar and Thai Baht against US dollar, redundancy costs of S\$0.1 million, S\$0.2 million scrap income and S\$0.1 million government grants received. The net other income in 2Q2019 comprised mainly scrap income of S\$0.6 million, other income of S\$0.2 million, net foreign exchange losses of S\$0.7 million primarily arising from the strengthening of Thai Baht against US dollar and redundancy costs of S\$0.1 million.

#### **Tax Expense**

The Group recorded a tax expense of S\$0.3 million in 2Q2020 as compared to S\$0.1 million in 2Q2019 mainly due to net profit generated in 2Q2020 as compared to net loss in 2Q2019.

#### **Profit/Loss from Continuing Operations**

As a result of continued strong execution in key areas of the operations and other items discussed in the foregoing sections, the Group recorded profit from continuing operations of S\$2.6 million in 2Q2020 as compared to a loss of S\$2.7 million in 2Q2019.

For the first half of 2020, the Group recorded net profit after tax of S\$6.8 million as compared to a net loss after tax of S\$7.8 million in the first half of 2019. This represents a significant turnaround of the financial performance of the Group despite the impact of the COVID-19 pandemic.

#### **Balance Sheet**

The Group recorded lower negative working capital of S\$18.1 million as at 30 June 2020 as compared to S\$26.2 million as at 31 December 2019. The improvement of S\$8.1 million in the net working capital was mainly due to reduction in short term loans of S\$7.0 million, income tax payable of S\$3.3 million and trade and other payables of S\$0.8 million, and increase in cash and cash equivalents of S\$7.2 million and other assets of S\$0.4 million. However, the improvement was offset by reduction of inventory of S\$10.6 million.

The Net Asset Value per share of the Group increased to 14.95 cents as at 30 June 2020 from 13.21 cents as at 31 December 2019.

#### **Cash Flow**

The Group recorded net cash from operating activities of S\$9.6 million in 2Q2020 as compared to S\$6.2 million in 2Q2019 mainly due to higher profit generated in 2Q2020.

In investing activities, the Group invested S\$2.5 million for an additional equity interest of 31.42% in Beijing Ant Brothers Technology Co., Ltd ("BAB"), bringing its total shareholding to 42.31%. Capital expenditure consisted mainly of manufacturing equipment worth S\$0.5 million in 2Q2020 as compared to S\$1.9 million in 2Q2019.

Net cash used in financing activities was S\$4.0 million in 2Q2020 as compared to S\$4.8 million in 2Q2019 mainly due to lower net repayments of loans and interest payment in 2Q2020.

Cash and cash equivalents as at 30 June 2020 rose to S\$16.0 million as compared to S\$11.1 million as at 30 June 2019.

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

No prospect statement has been 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.

Despite the impact of the on-going COVID-19 pandemic, along with global trade tensions and geopolitical uncertainties, the Group managed to maintain a consecutive profitable quarter in 2Q2020, a significant turnaround in financial performance over the last 12 months. The intense focus by the management team on operational efficiency and productivity improvement, working capital and cashflow management, and streamlining manufacturing processes have yielded positive results on the Group's operating gross margin and profit.

However, the weak economic outlook, supply chain disruption and uncertain business conditions brought about by the COVID-19 pandemic remain a significant challenge to the HDD industry and therefore the Group's business. It is difficult to predict how these dynamics will impact the Group's business in the remainder of 2020.

Amid these uncertainties, the Group is focusing on implementing preventive measures in all our facilities to safeguard the health and safety of our employees, executing operational efficiency and productivity improvement programs, and strengthening our technical bench strength. The Group will continue to monitor the evolving COVID-19 situation and keep shareholders informed of any material developments that may impact our operations as and when they arise.

The Group has increased its shareholding in BAB to 42.31% after completing the payment of the second subscription price on 5 June 2020. Despite having to overcome challenges during the COVID-19 pandemic, the development of the robotic cleaning machine and the Company's plans to launch its maiden product by early 2021 are on schedule. The litigation as announced on 23 February 2020 and the due diligence as announced on 28 May 2020 are ongoing. The Company will disclose any update or further information as when appropriate.

- 11 If a decision regarding dividend has been made :-
- (a) Any interim (final) ordinary dividend has been declared (recommended)  
None
- (b) i) Amount per share  
N.A.
- ii) Previous corresponding period  
N.A.
- (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).  
N.A.
- (d) The date the dividend is payable.  
N.A.
- (e) 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.  
N.A.
- 12 If no dividend has been declared (recommended), a statement to that effect.  
No dividend has been declared or recommended by the Company as the Company is in accumulative loss position.
- 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.  
There is no IPT mandate.
- 14 Confirmation pursuant to Rule 705(5). (Not required for announcement on full year results)  
The Directors confirm that to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results of the Group for the quarter period ended 30 June 2020, 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 Rule 720(1).  
The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

**By Order of the Board**

Lew Syn Pau  
Chairman

**6 August 2020**