

BROADWAY INDUSTRIAL GROUP LIMITED

Company Registration No. 199405266K

Third Quarter Financial Statement Announcement For the Period Ended 30 September 2020

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & 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) %
		30-09-20 S\$'000	30-09-19 S\$'000		30-09-20 S\$'000	30-09-19 S\$'000	
Revenue		97,329	79,436	22.5	288,459	209,776	37.5
Cost of sales		(90,751)	(75,261)	20.6	(269,144)	(203,482)	32.3
Gross profit		6,578	4,175	57.6	19,315	6,294	206.9
Distribution expenses		(334)	(801)	(58.3)	(1,064)	(1,724)	(38.3)
Administrative expenses		(2,463)	(3,152)	(21.9)	(7,626)	(8,962)	(14.9)
Sales and marketing expenses		(69)	(168)	(58.9)	(247)	(509)	(51.5)
Other (expenses)/income	1	(24)	(1,225)	(98.0)	1,015	(2,928)	n.m.
Results from operating activities		3,688	(1,171)	n.m.	11,393	(7,829)	n.m.
Finance income		3	6	(50.0)	11	26	(57.7)
Finance costs		(261)	(507)	(48.5)	(949)	(1,403)	(32.4)
Net finance costs		(258)	(501)	(48.5)	(938)	(1,377)	(31.9)
Share of losses of an associate (net of tax)		(255)	-	n.m.	(255)	-	n.m.
Profit/(Loss) before income tax	2	3,175	(1,672)	n.m.	10,200	(9,206)	n.m.
Income tax income/(expense)	3	11	149	(92.6)	(250)	(91)	174.7
Profit/(Loss) from continuing operations, net of tax		3,186	(1,523)	n.m.	9,950	(9,297)	n.m.
Loss from discontinued operations, net of tax		-	(196)	(100.0)	-	(361)	(100.0)
Profit/(Loss) for the period		3,186	(1,719)	n.m.	9,950	(9,658)	n.m.
Other comprehensive (loss)/income :							
Items that are or may be reclassified subsequently to profit or loss:							
Exchange differences on translating foreign operations		(895)	1,147	n.m.	504	660	(23.7)
Total comprehensive income/(loss)		2,291	(572)	n.m.	10,454	(8,998)	n.m.
Profit/(Loss) attributable to :							
Owners of the Company		3,186	(1,617)	n.m.	9,950	(9,470)	n.m.
Non-controlling interests		-	(102)	(100.0)	-	(188)	(100.0)
Profit/(Loss) for the period		3,186	(1,719)	n.m.	9,950	(9,658)	n.m.
Total comprehensive income/(loss) attributable to :							
Owners of the Company		2,291	(434)	n.m.	10,453	(8,787)	n.m.
Non-controlling interests		-	(138)	(100.0)	1	(211)	n.m.
Total comprehensive income/(loss)		2,291	(572)	n.m.	10,454	(8,998)	n.m.

n.m. - not meaningful

Notes to Income Statement	Group			Group		
	Quarter ended		Increase/	Year to date		Increase/
	30-09-20	30-09-19	(Decrease)	30-09-20	30-09-19	(Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
1) Other (expenses)/income						
Foreign exchange losses, net	(563)	(985)	(42.8)	(325)	(3,571)	(90.9)
Unrealised fair value losses on financial derivatives, net	-	(423)	(100.0)	(30)	(242)	(87.6)
(Loss)/Gain on disposal of property, plant & equipment	(130)	19	n.m.	(1)	85	n.m.
Redundancy costs	(9)	(207)	(95.7)	(127)	(844)	(85.0)
Reversal of allowance for doubtful receivables	-	-	n.m.	129	-	n.m.
Reversal of unutilised provision of restructuring costs	487	-	n.m.	487	-	n.m.
Provision for housing fund contribution for prior years	(515)	-	n.m.	(515)	-	n.m.
Scrap income	389	233	67.0	782	1,012	(22.7)
Government grant	315	135	133.3	577	398	45.0
Others	2	3	(33.3)	38	234	(83.8)
	(24)	(1,225)	(98.0)	1,015	(2,928)	n.m.
2) Profit/(loss) before income tax included						
Depreciation of property, plant and equipment	(3,321)	(3,467)	(4.2)	(10,244)	(10,001)	2.4
Depreciation of right-of-use assets	(424)	(382)	11.0	(1,303)	(1,275)	2.2
3) Income tax income/(expense)						
Current income tax	11	149	(92.6)	(369)	(91)	n.m.
Over provision in prior years	-	-	n.m.	119	-	n.m.
	11	149	(92.6)	(250)	(91)	174.7

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	
	30-09-20	31-12-19	30-09-20	31-12-19
	S\$'000	S\$'000	S\$'000	S\$'000
Assets				
Property, plant and equipment	82,238	89,588	59	72
Right-of-use assets	7,013	8,129	299	408
Investments in subsidiaries	-	-	91,400	91,400
Investment in an associate	3,767	-	-	-
Other investments	101	101	47	47
Total non-current assets	93,119	97,818	91,805	91,927
Financial derivatives	-	29	-	-
Inventories	25,394	35,829	-	-
Trade and other receivables	42,653	50,408	19,409	22,218
Other assets	1,195	762	21	1
Cash and cash equivalents	31,699	8,722	837	455
Total current assets	100,941	95,750	20,267	22,674
Total assets	194,060	193,568	112,072	114,601
Equity				
Share capital	113,164	113,163	113,164	113,163
Accumulated losses	(27,132)	(37,082)	(3,347)	(1,000)
Other reserves	(13,751)	(14,251)	28	31
Equity attributable to owners of the Company	72,281	61,830	109,845	112,194
Non-controlling interests	25	24	-	-
Total equity	72,306	61,854	109,845	112,194
Liabilities				
Other liabilities	1,705	1,496	-	-
Lease liabilities	5,754	6,459	155	268
Other payables	1,055	1,802	-	-
Total non-current liabilities	8,514	9,757	155	268
Income tax payable	3,996	7,507	5	5
Loans and borrowings	17,371	28,505	-	-
Lease liabilities	1,458	1,647	130	107
Trade and other payables	90,415	84,298	1,937	2,027
Total current liabilities	113,240	121,957	2,072	2,139
Total liabilities	121,754	131,714	2,227	2,407
Total equity and liabilities	194,060	193,568	112,072	114,601

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

Amount repayable in one year or less, or on demand

As at 30-09-20		As at 31-12-19	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
17,371	0	28,505	0

Amount repayable after one year

As at 30-09-20		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 are secured by land and buildings of a subsidiary.

BROADWAY INDUSTRIAL GROUP LIMITED

Company Registration No. 199405266K

Third Quarter Financial Statement Announcement For the Period Ended 30 September 2020

- 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	
	30-09-20	30-09-19	30-09-20	30-09-19
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Continuing operations</u>				
<u>Cash flows from operating activities</u>				
Profit/(Loss) before income tax	3,175	(1,672)	10,200	(9,206)
Adjustments for :				
Depreciation of property, plant and equipment	3,321	3,467	10,244	10,001
Depreciation of right-of-use assets	424	382	1,303	1,275
Equity-settled share-based payment transactions	2	(1)	(3)	(10)
Fair value losses on financial derivatives, net	-	423	30	242
Losses/(gains) on disposal of property, plant and equipment	130	(19)	1	(85)
Reversal of allowance for doubtful receivables	-	-	(129)	-
Interest expense	261	511	949	1,407
Interest income	(3)	(6)	(11)	(26)
Share of losses of an associate, net of tax	255	-	255	-
Operating cash flows before changes in working capital	7,565	3,085	22,839	3,598
Inventories	(707)	(10,030)	11,201	(18,074)
Trade and other receivables	6,804	(5,915)	8,854	30,134
Other assets	(101)	(30)	(426)	(398)
Trade and other payables	8,462	17,142	6,455	2,443
Other liabilities	68	89	187	301
Net cash flows from operations	22,091	4,341	49,110	18,004
Income tax paid	(121)	-	(153)	(230)
Net cash flows from operating activities	21,970	4,341	48,957	17,774
<u>Cash flows from investing activities</u>				
Acquisition of an associate	(1,061)	-	(4,022)	-
Purchase of property, plant and equipment	(966)	(1,827)	(2,711)	(5,353)
Proceeds from disposal of property, plant and equipment	180	18	309	86
Interest income received	3	6	11	26
Net cash flows used in investing activities	(1,844)	(1,803)	(6,413)	(5,241)
<u>Cash flows from financing activities</u>				
Proceeds from bank borrowings	21,093	177,130	86,714	187,784
Repayments of bank borrowings	(24,417)	(178,193)	(97,276)	(197,527)
Payment of principal portion of lease liabilities	(368)	(274)	(1,037)	(1,186)
Repurchase of own shares	-	(42)	-	(42)
Interest expense paid	(261)	(511)	(949)	(1,407)
Net cash flows used in financing activities	(3,953)	(1,890)	(12,548)	(12,378)
Net increase in cash and cash equivalents	16,173	648	29,996	155
<u>Discontinued operations</u>				
Net cash flows from/(used in) operating activities	-	73	(5,073)	122
Net cash flows used in financing activities	-	(61)	-	(199)
Net increase/(decrease) in cash and cash equivalents	-	12	(5,073)	(77)
Net increase in cash and cash equivalents	16,173	660	24,923	78
Cash and cash equivalents, beginning balance	15,957	11,061	8,717	11,522
Effect of exchange rate fluctuations on cash held	(435)	982	(1,945)	1,103
Restricted cash (fixed deposits pledged as security)	5	5	5	5
Cash and cash equivalents, ending balance	31,699	12,708	31,699	12,708

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				
The Group									
At 1 January 2020	113,163	(404)	2,924	435	(17,206)	(37,082)	61,830	24	61,854
Total comprehensive income for the period	-	-	-	-	1,398	6,764	8,162	1	8,163
Share-based payment	1	8	-	(12)	-	-	(3)	-	(3)
At 30 June 2020	113,164	(396)	2,924	423	(15,808)	(30,318)	69,989	25	70,014
Total comprehensive income/(loss) for the period	-	-	-	-	(895)	3,186	2,291	-	2,291
Share-based payment	-	-	-	1	-	-	1	-	1
At 30 September 2020	113,164	(396)	2,924	424	(16,703)	(27,132)	72,281	25	72,306
At 1 January 2019	113,155	(386)	2,924	474	(16,651)	(15,708)	83,808	(1,572)	82,236
Total comprehensive loss for the period	-	-	-	-	(500)	(7,853)	(8,353)	(73)	(8,426)
Share-based payment	8	24	-	(41)	-	-	(9)	-	(9)
At 30 June 2019	113,163	(362)	2,924	433	(17,151)	(23,561)	75,446	(1,645)	73,801
Total comprehensive income/(loss) for the period	-	-	-	-	1,183	(1,617)	(434)	(138)	(572)
Share-based payment	-	-	-	(1)	-	-	(1)	-	(1)
Purchase of treasury Shares	-	(42)	-	-	-	-	(42)	-	(42)
At 30 September 2019	113,163	(404)	2,924	432	(15,968)	(25,178)	74,969	(1,783)	73,186

BROADWAY INDUSTRIAL GROUP LIMITED

Company Registration No. 199405266K

Third Quarter Financial Statement Announcement For the Period Ended 30 September 2020

	Other reserves				Total equity S\$'000
	Share capital S\$'000	Treasury shares S\$'000	Share-based payment reserve S\$'000	(Accumulated losses)/ retained earnings S\$'000	
The Company					
At 1 January 2020	113,163	(404)	435	(1,000)	112,194
Total comprehensive loss for the period	-	-	-	(1,788)	(1,788)
Share-based payment	1	8	(12)	-	(3)
At 30 June 2020	113,164	(396)	423	(2,788)	110,403
Total comprehensive loss for the period	-	-	-	(559)	(559)
Share-based payment	-	-	1	-	1
At 30 September 2020	113,164	(396)	424	(3,347)	109,845
At 1 January 2019	113,155	(386)	474	10,258	123,501
Total comprehensive loss for the period	-	-	-	(940)	(940)
Share-based payment	8	24	(41)	-	(9)
At 30 June 2019	113,163	(362)	433	9,318	122,552
Total comprehensive loss	-	-	-	(798)	(798)
Share-based payment	-	-	(1)	-	(1)
Purchase of treasury Shares	-	(42)	-	-	(42)
At 30 September 2019	113,163	(404)	432	8,520	121,711

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

There was no change in the Company's issued capital during the period from 30 Jun 2020 to 30 Sep 2020.

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

As at 30 Sep 2020, there were 180,000 (30 Sep 2019 : 310,000) outstanding shares in respect of unissued ordinary shares under the BIGL Share Plan.

As at 30 Sep 2020, there were 3,693,050 (30 Sep 2019 : 3,768,050) shares held as treasury shares.

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

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

- 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 Sep 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 Sep 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 Sep 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	
	30-09-20	30-09-19	30-09-20	30-09-19
Based on weighted average number of ordinary shares in issue (cents)	0.68	(0.34)	2.13	(2.02)
On a fully diluted basis (cents)	0.68	(0.34)	2.12	(2.02)

a) Earnings per ordinary share is calculated based on weighted average number of ordinary shares (excluding treasury shares) of 468,181,397 ordinary shares (30 Sep 2019 : 468,765,453 ordinary shares).

b) Diluted earnings per ordinary share is calculated based on weighted average number of ordinary shares (excluding treasury shares) of 468,409,828 ordinary shares (30 Sep 2019 : 469,250,339 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 30-09-20	As at 31-12-19
Group (cents)	15.44	13.21
Company (cents)	23.46	23.97

Net asset value per ordinary share is calculated based on number of ordinary shares at 30 Sep 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 22.5% to S\$97.3 million in 3Q2020 from S\$79.4 million in 3Q2019, mainly due to higher average selling prices from product mix shift towards higher value enterprise class (or nearline) products. The volume of nearline products grew by 12% year-on-year, to about 40% of the total volume sold.

The Group's gross profit margin increased to 6.8% in 3Q2020 as compared to 5.3% in 3Q2019 as a result of continued cost reduction efforts in the Group's entire operations, better working capital management, productivity and efficiency improvement initiatives.

Operating Expenses

Distribution expenses decreased by 58.3% to S\$0.3 million in 3Q2020 from S\$0.8 million in 3Q2019 mainly due to improved logistics management in 3Q2020.

Administration expenses decreased by 21.9% to S\$2.5 million in 3Q2020 from S\$3.2 million in 3Q2019 mainly due to lower salary related costs, professional fees and travelling expenses in 3Q2020.

Sales and marketing expenses decreased to S\$0.07 million in 3Q2020 from S\$0.2 million in 3Q2019 mainly due to the lower headcount related expenses in 3Q2020.

The Group recorded net other expenses of S\$0.02 million in 3Q2020 as compared to S\$1.2 million in 3Q2019. The net other expenses in 3Q2020 consisted mainly of net foreign exchange losses of S\$0.6 million that arose from the strengthening of Singapore dollar and Thai Baht against US dollar, loss on disposal of property, plant and equipment of S\$0.1 million, provision of housing fund contribution of S\$0.5 million, offset by reversal of unutilised provision of restructuring costs of S\$0.5 million, scrap income of S\$0.4 million and government grants of S\$0.3 million. The net other expenses in 3Q2019 comprised mainly of net foreign exchange losses of S\$1.0 million primarily arising from the strengthening of Thai Baht against US dollar, unrealised mark-to-market losses of S\$0.4 million from forward and derivative contracts entered into by the Group to manage its net currency exposure, redundancy costs of S\$0.2 million, offset by scrap income of S\$0.2 million and government grants of S\$0.1 million.

Finance costs

Finance costs reduced by 49% or S\$0.25 million, from S\$0.51 million in 3Q2019 to S\$0.26 million in 3Q2020. This was mainly due to S\$11.1 million reduction in loans and borrowings between the two periods and reduced account receivable financing in 3Q2020 as compared to 3Q2019.

Share of losses of an associate

The Group recorded share of losses of S\$0.3 million in 3Q2020 from Beijing Ant Brothers Technology Co., Ltd ("BAB"), of which the Group has 49.44% shareholding as at 30 September 2020.

Tax Income

The Group recorded tax income of S\$0.01 million in 3Q2020 as compared to S\$0.15 million in 3Q2019 mainly due to reversal of overprovisions of income tax expenses in prior quarters for both periods.

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\$3.2 million in 3Q2020 as compared to a loss of S\$1.5 million in 3Q2019.

Balance Sheet

The Group continued to strengthen its balance sheet, reducing its borrowings and debts by using internally generated operating cashflow.

The Group's net working capital improved by S\$13.9 million, from negative S\$26.2 million as at 31 December 2019 to negative S\$12.3 million as at 30 September 2020. The improvement came from increase in current assets of S\$5.2 million and decrease in current liabilities of S\$8.7 million. The increase in current assets was mainly due to increase in cash and cash equivalents of S\$23.0 million and other assets of S\$0.4 million and offset by reduction in inventories of S\$10.4 million and trade and other receivables of S\$7.8 million. The decrease in current liabilities was mainly due to reduction in short term loans of S\$11.1 million, income tax payable of S\$3.5 million and lease liabilities of S\$0.2 million and offset by increase in trade and other payables of S\$6.1 million.

The Net Asset Value per share of the Group increased to 15.44 cents as at 30 September 2020 from 13.21 cents as at 31 December 2019.

Cash Flow

The Group recorded net cash from operating activities of S\$22.0 million in 3Q2020 as compared to S\$4.3 million in 3Q2019, largely attributable to changes in working capital and higher profit generated in 3Q2020.

In investing activities, the Group invested S\$1.1 million for an additional equity interest in BAB, increasing its shareholding from 42.31% to 49.44%. Capital expenditure consisted mainly of manufacturing equipment worth S\$1.0 million in 3Q2020 as compared to S\$1.8 million in 3Q2019.

Net cash used in financing activities was S\$4.0 million in 3Q2020 as compared to S\$1.9 million in 3Q2019, mainly due to higher net repayment of loans in 3Q2020.

Cash and cash equivalents as at 30 September 2020 was S\$31.7 million as compared to S\$12.7 million as at 30 September 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 and geopolitical uncertainties, the Group delivered another profitable quarter in 3Q2020, a significant turnaround in financial performance over the last 12 months. The continued intense focus by the management team on operational efficiency and productivity improvement, working capital and cashflow management, and streamlining of manufacturing processes have yielded positive results on the Group's operating gross margin and profit.

The business outlook for 4Q2020 remains stable, aided by the traditional seasonal factors for the HDD industry. Whilst the weak economic outlook and uncertain business conditions brought about by the COVID-19 pandemic remain a challenge to the HDD industry, the strong recovery in video and imaging application market and healthy cloud data center demand are expected to underpin the data storage demand in the near future. The Group is therefore cautiously optimistic on its near term business prospect.

Amid the evolving COVID-19 pandemic, the Group is continuing to focus on implementing preventive measures in all our facilities to safeguard the health and safety of our employees, executing operational efficiency and productivity improvement programs, improving the strength of our balance sheet and strengthening our technical bench strength. The Group will continue to monitor the changing 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 49.44% after completing the payment of the third subscription price on 4 September 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 is ongoing. As for the announcement made on 28 May 2020, although the due diligence is substantially completed, negotiations between the parties are still ongoing. The Company will disclose any update or further information as and 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 September 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

12 November 2020