

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

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR
THE FULL YEAR ENDED 31 DECEMBER 2019**

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "**Sponsor**"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.

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.

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PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL 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>Change</u> %
	<u>FY2019</u> <u>Unaudited</u>	<u>FY2018</u> <u>Audited</u>	
	S\$'000	S\$'000	
Revenue	31,139	33,681	(7.5%)
Cost of Sales	(25,318)	(27,691)	(8.6%)
Gross Profit	5,821	5,990	(2.8%)
Other Income and Gains	894	361	>100.0%
Distribution Costs	(337)	(532)	(36.7%)
Administrative Expenses	(4,586)	(4,720)	(2.8%)
Finance Costs	(785)	(808)	(2.8%)
Other Losses	(119)	(450)	(73.6%)
Profit (Loss) Before Tax from Continuing Operations	888	(159)	NM
Income Tax Expense	(75)	(90)	(16.7%)
Profit (Loss) Net of Tax	813	(249)	NM
Profit (Loss) Attributable to Owners of the Company, Net of Tax	813	(249)	NM
Profit (Loss) Net of Tax	813	(249)	NM

NM – Not meaningful

Consolidated Statement of Comprehensive Income

	Group		
	<u>FY2019</u>	<u>FY2018</u>	<u>Change</u>
	<u>Unaudited</u>	<u>Audited</u>	
	S\$'000	S\$'000	%
Profit (Loss) Net of Tax	813	(249)	NM
<u>Other Comprehensive Loss</u>			
Items That May Be Reclassified Subsequently to Profit or Loss:			
Exchange Differences on Translating Foreign Operations, Net of Tax	(72)	(85)	(15.3%)
Other Comprehensive Loss for the Year, Net of Tax	(72)	(85)	(15.3%)
Total Comprehensive Income (Loss)	741	(334)	NM
Total Comprehensive Income (Loss) Attributable to Owners of the Company	741	(334)	NM
Total Comprehensive Income (Loss)	741	(334)	NM

NM – Not meaningful

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

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

	Group		Change
	<u>FY2019</u> <u>Unaudited</u> S\$'000	<u>FY2018</u> <u>Audited</u> S\$'000	
Foreign exchange adjustment gains (losses) ⁽¹⁾	22	(204)	NM
Depreciation of property, plant and equipment ⁽²⁾	(833)	(699)	19.2%
Amortisation of land use right ⁽³⁾	(135)	(90)	50.0%
Amortisation of intangible assets	(29)	(29)	–
Depreciation of right-of-use asset ⁽⁴⁾	(138)	–	NM
Directors' fee	(87)	(87)	–
Gains on disposal of property, plant and equipment, net	27	42	(35.7%)
Allowance for impairment on trade receivables ⁽⁵⁾	(45)	(222)	(79.7%)
Reversal for impairment on trade receivables ⁽⁶⁾	771	213	>100.0%
Bad debts written off	(24)	(7)	>100.0%
Allowance for impairment on inventories	(47)	–	NM
Reversal for impairment on inventories	27	22	22.7%
Forward contracts losses :			
transactions not qualifying as hedges	(2)	(17)	(88.2%)
Interest expense	(785)	(808)	(2.8%)
Interest income	4	11	(63.6%)
Government grant income	23	48	(52.1%)
Rental Income	20	25	(20.0%)
Overprovision of tax in respect of prior years	(1)	(28)	(96.4%)

NM – Not meaningful

- (1) The foreign exchange adjustment gains in FY2019 (as compared to foreign exchange adjustment losses in FY2018) was largely due to net impact of realized and unrealized foreign exchange adjustments in respect of the Group's trade receivables and payables which are denominated in US dollars.
- (2) Depreciation of property, plant and equipment increased by S\$0.1 million mainly due to depreciation charges of the Group's new property, which was completed in May 2018, and the acquisition of plant and equipment in FY2019.
- (3) Amortisation of land use right increased by approximately S\$45,000 due to the commencement of the usage of the Group's new property in May 2018.
- (4) Depreciation of right-of-use asset was due to the adoption of new accounting standard SFRS(I) 16 Leases in FY2019.
- (5) Allowance for impairment on trade receivables decreased by S\$0.2 million mainly due to lower provision for doubtful debts.
- (6) Reversal for impairment on trade receivables increased by S\$0.6 million mainly due to the subsequent recovery of certain trade receivables in FY2019 which had been impaired in prior periods.

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 31.12.19 Unaudited S\$'000</u>	<u>As at 31.12.18 Audited S\$'000</u>	<u>As at 31.12.19 Unaudited S\$'000</u>	<u>As at 31.12.18 Audited S\$'000</u>
ASSETS				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	7,992	8,086	–	–
Land Use Right	2,574	2,710	–	–
Right-of-Use Asset (Note A)	284	–	–	–
Intangible Assets	17	46	–	–
Investments in Subsidiaries	–	–	11,283	10,957
Deferred Tax Assets	266	279	–	–
Total Non-Current Assets	11,133	11,121	11,283	10,957
<u>Current Assets</u>				
Asset Held For Sale	386	–	–	–
Inventories	23,542	28,444	–	–
Trade and Other Receivables	9,991	10,476	1,640	1,757
Other Non-Financial Assets	141	105	24	19
Cash and Cash Equivalents	3,971	5,142	513	799
Total Current Assets	38,031	44,167	2,177	2,575
Total Assets	49,164	55,288	13,460	13,532
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share Capital	10,579	10,579	10,579	10,579
Retained Earnings	18,902	18,089	2,536	2,512
Statutory Reserve	237	237	–	–
Foreign Currency Translation Reserve	(170)	(98)	–	–
Equity, Attributable to Owners of the Company, Total	29,548	28,807	13,115	13,091
Total Equity	29,548	28,807	13,115	13,091
<u>Non-Current Liabilities</u>				
Other Financial Liabilities	6,368	7,230	–	–
Lease Liability, Non Current (Note A)	191	–	–	–
Total Non-Current Liabilities	6,559	7,230	–	–
<u>Current Liabilities</u>				
Income Tax Payable	16	23	7	15
Trade and Other Payables	10,952	18,002	338	426
Lease Liability, Current (Note A)	95	–	–	–
Other Financial Liabilities	1,994	1,226	–	–
Total Current Liabilities	13,057	19,251	345	441
Total Liabilities	19,616	26,481	345	441
Total Equity and Liabilities	49,164	55,288	13,460	13,532

Note A

The Group adopted SFRS(I) 16 Leases with effect from 1 January 2019 based on the modified retrospective approach.

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

Amount repayable in one year or less, or on demand

As at 31.12.2019		As at 31.12.2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
713	6,849	654	11,190

Amount repayable after one year

As at 31.12.2019		As at 31.12.2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,898	1,470	5,216	2,014

Details of any collateral

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

Certain of the Group's term loans, bank loans, bank overdrafts and other credit facilities are secured by (a) legal mortgages on the subsidiaries' leasehold and freehold properties; and (b) corporate guarantees issued by the Company. The finance leases are 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>FY2019</u> <u>Unaudited</u> S\$'000	<u>Group</u>	<u>FY2018</u> <u>Audited</u> S\$'000
<u>Cash Flows From Operating Activities</u>			
Profit (Loss) Before Tax	888		(159)
Interest Income	(4)		(11)
Interest Expense	785		808
Depreciation of Property, Plant and Equipment	833		699
Depreciation of Right-of-use Asset	138		–
Amortisation of Land Use Right	135		90
Forward Contracts Losses: Transactions Not Qualifying as Hedges	2		17
Amortisation of Intangible Assets	29		29
Gains on Disposal of Property, Plant and Equipment, net	(27)		(42)
Net Effect of Exchange Rate Changes in Consolidating subsidiaries	(61)		(87)
Operating Cash Flows before Changes in Working Capital	2,718		1,344
Inventories	4,903		(5,982)
Trade and Other Receivables	479		23,118
Other Non-Financial Assets	(36)		9
Trade and Other Payables	(1,984)		(1,132)
Net Cash Flows From Operations	6,080		17,357
Income Taxes Paid	(68)		(194)
Net Cash Flows From Operating Activities	6,012		17,163
<u>Cash Flows From Investing Activities</u>			
Disposal of Property, Plant and Equipment	157		115
Purchase of Land Use Right and Property, Plant and Equipment (Note C)	(1,018)		(9,065)
Interest Received	4		11
Net Cash Flows Used in Investing Activities	(857)		(8,939)
<u>Cash Flows From Financing Activities</u>			
Decrease in Borrowings	(11,426)		(24,572)
Increase from New Borrowings	5,570		16,530
Principal Element of Lease Payments	(136)		–
Interest Element of Lease Payments	(7)		–
Interest Paid	(778)		(808)
Net Cash Flows Used in Financing Activities	(6,777)		(8,850)
Net Decrease in Cash and Cash Equivalents	(1,622)		(626)
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Beginning Balance	4,708		5,334
Cash and Cash Equivalents, Consolidated Statement of Cash Flows, Ending Balance (Note B)	3,086		4,708

Note B

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

	<u>FY2019</u> <u>Unaudited</u> <u>S\$'000</u>	<u>Group</u>	<u>FY2018</u> <u>Audited</u> <u>S\$'000</u>
Cash and cash equivalents at end of year	3,971		5,142
Bank overdraft	(885)		(434)
	<u>3,086</u>		<u>4,708</u>

Note C

Non-cash transaction:

There were acquisitions of plant and equipment with a total cost of approximately S\$243,000 in FY2019 (FY2018: S\$4,000). These assets were 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
Current Year:						
Opening Balance at 1 January 2019	28,807	28,807	10,579	18,089	(98)	237
Movements in Equity						
Total Comprehensive Income (Loss) for the Year	741	741	–	813	(72)	–
Closing Balance at 31 December 2019	29,548	29,548	10,579	18,902	(170)	237

	<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 2018	29,150	29,141	10,579	18,350	(13)	225	9
Movements in Equity							
Acquisition of a non-controlling interest (Note D)	(9)	–	–	–	–	–	(9)
Total Comprehensive Loss for the Year	(334)	(334)	–	(249)	(85)	–	–
Transferred (from) to retained earnings	–	–	–	(12)	–	12	–
Closing Balance at 31 December 2018	28,807	28,807	10,579	18,089	(98)	237	–

Note D

On 26 February 2018, the Company completed the acquisition of 0.5% interest in its subsidiary, SL Corporation Pte Ltd, from a minority shareholder, and thereby increased the Company's shareholding interest in SL Corporation Pte Ltd and its subsidiaries from 99.5% to 100%.

COMPANY	<u>Total Equity</u> S\$'000	<u>Share Capital</u> S\$'000	<u>Retained Earnings</u> S\$'000
Current Year:			
Opening Balance at 1 January 2019	13,091	10,579	2,512
Movement in Equity:			
Total Comprehensive Income for the Year	24	–	24
Closing Balance at 31 December 2019	13,115	10,579	2,536
Previous Year:			
Opening Balance at 1 January 2018	13,921	10,579	3,342
Movement in Equity:			
Total Comprehensive Loss for the Year	(830)	–	(830)
Closing Balance at 31 December 2018	13,091	10,579	2,512

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 were no changes in the Company's share capital from 1 July 2019 to 31 December 2019. There were no outstanding convertibles, treasury shares and subsidiary holdings as at 31 December 2019 and 31 December 2018.

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 31.12.2019	As at 31.12.2018
108,000,000	108,000,000

The Company did not have any treasury shares as at 31 December 2019 and 31 December 2018.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Company does not have any treasury shares. There were no sale, transfer, cancellation and/or use of treasury shares during and as at 31 December 2019.

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.

The Company does not have any subsidiary holdings. There were no sale, transfer, cancellation and/or use of subsidiary holdings during and as at 31 December 2019.

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 modifications or emphasis of a matter).

Not applicable. The figures have not been audited or reviewed by the Company's auditors.

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.

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

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable. The Group's latest audited financial statements for the financial year ended 31 December 2018 are not subject to an adverse opinion, qualified opinion or disclaimer of opinion issued by the 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 year reported on, which are consistent with the audited financial statements for the financial year ended 31 December 2018.

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 (International) ("**SFRS(I)**") and Interpretations of Singapore Financial Reporting Standards (International) ("**SFRS(I) INT**") which became effective for the accounting periods beginning on or after 1 January 2019. The adoption of these new and revised SFRS(I) and SFRS(I) INT is not expected to result in material adjustments to the financial position, results of operations or cash flows of the Group for the financial year ended 31 December 2019, except for SFRS(I) 16 Leases.

Under the new financial reporting standard, for the lessee, almost all leases (except for leases less than 12 months and leases of low-value asset) will be brought onto the Statement of Financial Position by recognising a right-of-use asset and a corresponding liability. For the lessor, the accounting remains largely unchanged.

The Group recognised its existing operating lease arrangements (except leases less than 12 months and leases of low-value assets) where the Group is a lessee as right-of-use assets equal to its lease liabilities as at 1 January 2019 in accordance with SFRS(I) 16.

The nature of expenses related to the leases will correspondingly change. Operating rental expenses previously recognised in the Statement of Profit or Loss and Other Comprehensive Income will be replaced with depreciation charge for right-of-use asset and finance cost for lease liabilities.

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	
	FY2019	FY2018
Earnings (Loss) per ordinary share for the financial year based on net profit (loss) after tax attributable to owners of the Company		
(i) Based on the weighted average number of ordinary shares in issue	0.75 cents	(0.23) cents
(ii) On a fully diluted basis	0.75 cents	(0.23) cents
Weighted average number of ordinary shares in issue	108,000,000	108,000,000

The Group's basic and diluted earnings (loss) per ordinary share for FY2019 and FY2018 respectively were the same as there were no potentially dilutive ordinary shares existing during the respective financial years.

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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Net asset value per ordinary share (cents)	27.4	26.7	12.1	12.1

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 31 December 2019 and 31 December 2018.

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\$2.6 million or 7.5%, from S\$33.7 million in FY2018 to S\$31.1 million in FY2019. This was mainly due to a decrease in sales to our customers in the marine industry, partially offset by an increase in sales to our customers in the precision engineering industry, and to stockists and traders.

Sales to customers in the marine industry decreased by S\$4.3 million in FY2019 as compared to FY2018. This was mainly due to lower sales to local and overseas customers who are mainly from Hong Kong. Sales to customers in the precision engineering industry increased by S\$0.4 million in FY2019 as compared to FY2018 mainly due to an increase in sales to our overseas customers who are mainly from Malaysia. Sales to stockists and traders increased by S\$1.4 million in FY2019 as compared to FY2018, mainly due to an increase in demand from our overseas customers who are mainly from Dubai.

Revenue from Singapore decreased by S\$2.6 million or 17.6%, from S\$14.6 million in FY2018 to S\$12.0 million in FY2019, mainly due to lesser orders secured from our marine customers. Revenue from Malaysia increased by S\$2.8 million or 68.1%, from S\$4.2 million in FY2018 to S\$7.0 million in FY2019, mainly due to more orders from our customers in the precision engineering industry.

Gross profit decreased by S\$0.2 million or 2.8%, from S\$6.0 million in FY2018 to S\$5.8 million in FY2019 mainly due to the decrease in revenue. Gross profit margin improved from 17.8% in FY2018 to 18.7% in FY2019, mainly attributable to a marginal increase in the selling price of our products.

Other income and gains increased by S\$0.5 million, from S\$0.4 million in FY2018 to S\$0.9 million in FY2019 mainly due to an increase in reversal for impairment on trade receivable of S\$0.5 million.

Distribution costs decreased by S\$0.2 million or 36.7%, from S\$0.5 million in FY2018 to S\$0.3 million in FY2019 mainly due to the decrease in commission expenses as a result of the decrease in overseas sales made through agents and exhibition expenses.

Administrative expenses decreased by S\$0.1 million or 2.8%, from S\$4.7 million in FY2018 to S\$4.6 million in FY2019 mainly due to the decrease in payroll expenses.

Finance costs remained relatively consistent at S\$0.8 million for both FY2019 and FY2018.

Other losses decreased by S\$0.3 million or 73.6%, from S\$0.4 million in FY2018 to S\$0.1 million in FY2019, mainly due to the absence of foreign exchange losses of S\$0.2 million and the decrease in allowance for impairment on trade receivables of S\$0.1 million.

As a result of the above, the Group recorded a profit before tax of S\$0.9 million in FY2019 as compared to a loss before tax of S\$0.2 million in FY2018.

(b)(i) Statement of Financial Position

Non-current assets remained relatively constant at S\$11.1 million as at 31 December 2019 and 31 December 2018. Right-of-use asset amounted to S\$0.3 million as at 31 December 2019 (nil as at 31 December 2018) due to the adoption of SFRS(I) 16 in FY2019, with respect to its operating lease arrangements. Please refer to paragraph 5 for further information.

Current assets decreased by S\$6.1 million, from S\$44.2 million as at 31 December 2018 to S\$38.1 million as at 31 December 2019. This was mainly due to a decrease in inventories of S\$4.9 million, trade and other receivables of S\$0.5 million and cash and cash equivalents of S\$1.2 million, partially offset by the reclassification of the Group's property from non-current assets to current assets under "asset held for sale" of S\$0.4 million. The decrease in inventories was mainly due to a decrease in purchases as a result of lower sales in FY2019. The decrease in trade and other receivables was in line with the decrease in revenue in FY2019. Please refer to the section on "Statement of Cash Flows" below for the reasons for the decrease in cash and cash equivalents. The Asset Held for Sale relates to the disposal of the Group's property at No. 5, Jalan Gemilang 3, Taman Perindustrian Cemerlang, 81800 Ulu Tiram, Johor, Malaysia, which was completed on 18 February 2020.

Non-current liabilities decreased by S\$0.7 million, from S\$7.2 million as at 31 December 2018 to S\$6.5 million as at 31 December 2019, mainly due to the repayment of long term bank loans, partially offset by lease liabilities (non-current portion) of S\$0.2 million as at 31 December 2019 (nil as at 31 December 2018) as a result of the adoption of SFRS(I) 16 in FY2019. Please refer to paragraph 5 for further information.

Current liabilities decreased by S\$6.2 million, from S\$19.3 million as at 31 December 2018 to S\$13.1 million as at 31 December 2019, mainly due to a decrease in trade and other payables of S\$7.1 million, partially offset by an increase in lease liability (current portion) of S\$0.1 million and other financial liabilities (current portion) of S\$0.8 million. The decrease in trade and other payables was mainly due to lesser purchases in FY2019 as compared to FY2018. The Group recorded lease liability (current portion) of S\$0.1 million as at 31 December 2019 (nil as at 31 December 2018) as a result of the adoption of SFRS(I) 16 in FY2019. Please refer to paragraph 5 for further information. The increase in other financial liabilities was due to the re-classification of certain bank loans from non-current to current, in FY2019.

The Group reported a positive working capital position of S\$25.0 million as at 31 December 2019, as compared to S\$24.9 million as at 31 December 2018.

Total equity increased by S\$0.7 million, from S\$28.8 million as at 31 December 2018 to S\$29.5 million as at 31 December 2019 as a result of the net profit for the year.

(b)(ii) Statement of Cash Flows

In FY2019, operating cash flows before changes in working capital amounted to S\$2.7 million arising mainly from the Group's profit before tax of S\$0.9 million, adjusted for (i) interest expense of S\$0.8 million; (ii) depreciation of property, plant and equipment of S\$0.8 million; (iii) depreciation of right-of-use asset of S\$0.1 million; and (iv) amortisation of land use right of S\$0.1 million. Net cash from working capital of S\$3.4 million was mainly due to a decrease in inventories of S\$4.9 million and an increase in trade and other receivables of S\$0.5 million, partially offset by a decrease in trade and other payables of S\$2.0 million.

Net cash used in investing activities amounted to S\$0.9 million in FY2019, mainly due to the additions to the property, plant and equipment of S\$1.0 million, partially offset by the proceeds from the disposal of plant and equipment of S\$0.1 million.

Net cash used in financing activities amounted to S\$6.8 million, mainly due to the repayment of bills payables, bank loans, bank overdrafts and finance leases of S\$11.4 million and interest and lease payments of S\$0.9 million, partially offset by an increase in new borrowings of S\$5.6 million.

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

No forecast or prospect statement was 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 US-China trade war continued into the second half of FY2019 and oil prices remained volatile, resulting in cautious sentiments and lower returns. With no clear resolution for the trade tensions in the immediate future, demand is likely to remain muted.

Oil prices have returned to approximately over US\$50 a barrel, as per early 2019, but not before rising by about 40% in May 2019.¹ Such large movements may dampen enthusiasm among shipbuilders and weaken demand for the Group's marine segment products.

For the Group's precision engineering segment, there was a recent uptick in demand but we remain cautious as recent domestic and global growth forecasts are increasingly subdued. For Singapore, GDP forecasts for 2020 have been adjusted from 1.4 per cent to 0.9 per cent largely due to the far-reaching effect of the COVID-19 outbreak. The impact may be greater than the SARS (severe acute respiratory syndrome) outbreak in 2003 due to how much more integrated the Singapore economy is with China today.²

On that note, the Group keeps close track of the developments to establish necessary precautions and infrastructure for its staff locally and abroad. It is also following the directives of the Chinese government for its plant in China which has recently received approval to resume production. The Group does not expect the COVID-19 outbreak and the aforesaid temporary stopwork order of its China plant to have any material adverse impact to the Group as the contribution of the Group's operations in China is not material.

Outside of Singapore, experts have downgraded global economic growth forecasts by 0.2% to 0.3% also due to COVID-19 outbreak. Experts cited work stoppages and travel restrictions as the reasons behind the downgrade and some experts have added that it is still early to accurately assess the full severity.³

The outlook for FY2020 appears challenging as existing concerns must now be managed alongside new ones. The Group is preparing for various scenarios and remains on alert to swiftly respond to challenge and opportunity alike.

¹ <https://www.bloomberg.com/quote/CO1:COM>

² <https://www.straitstimes.com/business/economy/dbs-downgrades-singapores-2020-gdp-forecast-to-09-due-to-likely-hit-from>

³ <https://www.forbes.com/sites/sergeiklebnikov/2020/02/11/coronavirus-is-now-expected-to-curb-global-economic-growth-by-03-in-2020/#44a9cf016daa>

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) 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

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for FY2019 as the Board of Directors deems it appropriate to conserve funds for the Group's business activities and further expansion.

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.

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) of the Catalist Rules

Not required for announcement on full year results.

16. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement

There is no person occupying a managerial position in the Group who is a relative of a director, chief executive officer, or substantial shareholder of the Company pursuant to Rule 704(10) of the Catalist Rules.

17. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

(a) Financial Information by Operating Segments

FY2019

	Precision engineering	Marine	Stockists and traders	Other customers	Unallocated	Group
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Continuing Operations 2019						
Revenue by Segment						
Total revenue by segment	17,681	9,967	3,022	469	–	31,139
Recurring EBITDA	3,881	1,169	446	320	–	5,816
Finance costs	–	–	–	–	(780)	(780)
Depreciation and amortisation	–	–	–	–	(1,135)	(1,135)
Operating results before income tax and other unallocated items	3,881	1,169	446	320	(1,915)	3,901
Other unallocated items					(3,013)	(3,013)
Profit before tax from continuing operations						888
Income tax expense						(75)
Profit for the year						813
Assets and Reconciliations						
Total assets for reportable segments	5,673	2,529	1,324	8	–	9,534
Unallocated:						
Property, plant and equipment	–	–	–	–	7,992	7,992
Land use right	–	–	–	–	2,574	2,574
Deferred tax assets	–	–	–	–	266	266
Inventories	–	–	–	–	23,542	23,542
Cash and cash equivalents	–	–	–	–	3,971	3,971
Other unallocated amounts	–	–	–	–	1,285	1,285
Total group assets	5,673	2,529	1,324	8	39,630	49,164
Liabilities and Reconciliations						
Unallocated:						
Current tax liabilities	–	–	–	–	16	16
Borrowings	–	–	–	–	8,362	8,362
Trade and other payables	–	–	–	–	11,238	11,238
Total group liabilities	–	–	–	–	19,616	19,616
Other Material Items and Reconciliations						
Impairment (reversal) of receivables and inventories (net)	(631)	(95)	–	–	20	(706)
Bad debts written off	9	15	–	–	–	24
Expenditures for non-current assets	–	–	–	–	1,261	1,261

FY2018

	<u>Precision engineering</u> S\$'000	<u>Marine</u> S\$'000	<u>Stockists and traders</u> S\$'000	<u>Other customers</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Continuing Operations 2018						
Revenue by Segment						
Total revenue by segment	17,291	14,262	1,648	480	–	33,681
Recurring EBITDA						
Finance costs	–	–	–	–	(808)	(808)
Depreciation and amortisation	–	–	–	–	(818)	(818)
Operating results before income tax and other unallocated items	3,647	1,628	447	268	(1,626)	4,364
Other unallocated items					(4,523)	(4,523)
Loss before tax from continuing operations						(159)
Income tax expense						(90)
Loss for the year						(249)
Assets and Reconciliations						
Total assets for reportable segments	4,691	3,575	682	51	–	8,999
Unallocated:						
Property, plant and equipment	–	–	–	–	8,086	8,086
Land use right	–	–	–	–	2,710	2,710
Deferred tax assets	–	–	–	–	279	279
Inventories	–	–	–	–	28,444	28,444
Cash and cash equivalents	–	–	–	–	5,142	5,142
Other unallocated amounts	–	–	–	–	1,628	1,628
Total group assets	4,691	3,575	682	51	46,289	55,288
Liabilities and Reconciliations						
Unallocated:						
Deferred and current tax liabilities	–	–	–	–	23	23
Borrowings	–	–	–	–	8,456	8,456
Trade and other payables	–	–	–	–	18,002	18,002
Total group liabilities	–	–	–	–	26,481	26,481
Other Material Items and Reconciliations						
Impairment (reversal) of receivables and inventories (net)	16	–	–	–	(22)	(6)
Expenditures for non-current assets	–	–	–	–	9,069	9,069

The assets and liabilities are not allocated to operating segments because they are not directly attributable to the segment or cannot be allocated to the segment on a reasonable basis.

(b) Geographical Information

	<u>Revenue</u>	
	<u>FY2019</u> S\$'000	<u>FY2018</u> S\$'000
Singapore	12,024	14,598
Malaysia	7,047	4,192
Taiwan	3,073	4,028
China	2,702	2,528
Indonesia	2,265	2,939
Other Countries	4,028	5,396
	31,139	33,681

18. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to paragraph 8.

19. A breakdown of sales as follows :

	Group		Increase/ (Decrease)
	FY2019 S\$'000	FY2018 S\$'000	
(a) Sales reported for the first half year	15,415	16,693	(7.7%)
(b) Operating profit (loss) after tax reported for first half year	387	(465)	NM
(c) Sales reported for second half year	15,724	16,988	(7.4%)
(d) Operating profit after tax reported for second half year	426	216	97.2%

NM – Not meaningful

20. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:**

	FY2019	FY2018
	S\$'000	S\$'000
Ordinary	–	–
Preference	–	–
Total	–	–

BY ORDER OF THE BOARD
TAN YEE CHIN
Chairman and CEO
25 February 2020