



KTMG LIMITED

AND ITS SUBSIDIARIES

(Registration No: 197401961C)

Unaudited Condensed Interim Financial Statements

For the half year ended 30 June 2021

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(A) Condensed Interim Consolidated Statement of Comprehensive Income

Group	Note	1H2021 (Unaudited) S\$'000	1H2020 (Unaudited) S\$'000	Change %
Revenue	4	28,315	25,041	13.1
Cost of sales		(24,076)	(20,961)	14.9
Gross profit		4,239	4,080	3.9
Other income, net		83	155	(46.5)
Administrative and general expenses		(3,419)	(2,704)	26.4
Selling and marketing expenses		(778)	(658)	18.2
Finance costs	5	(324)	(483)	(32.9)
Profit/ (loss) before taxation	6	(199)	390	NM
Income tax expenses		(26)	(169)	(84.6)
Net profit/ (loss) for the period		(225)	221	NM
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss (net of tax)</i>				
Foreign currency translation		(168)	73	NM
Total comprehensive profit/ (loss) attributable to equity holders of the Company		(393)	294	NM

(B) Condensed Interim Statements of Financial Position

	Note	Group		Company	
		30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
		S\$'000	S\$'000	S\$'000	S\$'000
Assets					
Non-current assets					
Subsidiaries		-	-	26,400	26,400
Property, plant and equipment	7	14,458	14,638	-	-
Right-of-use assets	8	3,742	4,114	-	-
Deferred tax assets		232	210	-	-
		18,432	18,962	26,400	26,400
Current Assets					
Inventories		22,050	10,782	-	-
Trade and other receivables	9	13,192	22,324	351	226
Cash and bank balances		4,680	4,965	17	8
		39,922	38,071	368	234
Total assets		58,354	57,033	26,768	26,634
Liabilities					
Non-current liabilities					
Borrowings	10	1,677	2,213	-	-
Lease liabilities	10	1,739	2,023	-	-
Deferred tax liabilities		16	16	-	-
		3,432	4,252	-	-
Current liabilities					
Borrowings	10	16,099	15,630	-	-
Lease liabilities	10	640	667	-	-
Trade and other payables	11	20,133	18,041	1,437	1,124
		36,872	34,338	1,437	1,124
Total liabilities		40,304	38,590	1,437	1,124
Net assets		18,050	18,443	25,331	25,510
Equity and reserves					
Share capital	12	33,201	33,201	33,201	33,201
Retained earnings/ (accumulated losses)		4,490	4,715	(8,441)	(8,262)
Foreign currency translation reserve		(106)	62	-	-
Capital reserve		571	571	571	571
Merger reserve		(20,106)	(20,106)	-	-
Total equity and reserves		18,050	18,443	25,331	25,510

(C) Condensed Interim Statements of Changes in Equity

	Share capital	Retained earnings	Translation reserve	Capital reserve	Merger reserve	Total equity
<u>Group</u>	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 Jan 2021	33,201	4,715	62	571	(20,106)	18,443
Total comprehensive income for the financial period	-	(225)	(168)	-	-	(393)
As at 30 Jun 2021	33,201	4,490	(106)	571	(20,106)	18,050
As at 1 Jan 2020	33,201	1,616	99	571	(20,106)	15,381
Total comprehensive loss for the financial period	-	221	73	-	-	294
As at 30 Jun 2020	33,201	1,837	172	571	(20,106)	15,675

	Share capital	(Accumulated losses)	Capital reserve	Total equity
<u>Company</u>	S\$'000	S\$'000	S\$'000	S\$'000
As at 1 Jan 2021	33,201	(8,262)	571	25,510
Total comprehensive loss for the financial period	-	(179)	-	(179)
As at 30 Jun 2021	33,201	(8,441)	571	25,331
As at 1 Jan 2020	33,201	(7,827)	571	25,945
Total comprehensive loss for the financial period	-	(204)	-	(204)
As at 30 Jun 2020	33,201	(8,031)	571	25,741

(D) Consolidated statement of cash flows

	Group	
	1H2021	1H2020
	S\$'000	S\$'000
Operating activities		
(Loss)/ profit before tax	(199)	390
Adjustment for:		
Depreciation of property, plant and equipment and right-of-use assets	1,052	1,097
Impairment loss recognised on receivables	222	-
Interest expense	324	483
Interest income	(17)	(4)
(Gain)/ loss on disposal of property, plant and equipment, net	(2)	4
Operating cash flows before working capital changes	<u>1,380</u>	<u>1,970</u>
Working capital changes		
Trade and other receivables	8,910	7,213
Trade and other payables	2,373	(3,821)
Inventories	(11,268)	(3,154)
Cash generated from operations	<u>1,395</u>	<u>2,208</u>
Interest received	17	4
Income tax paid	(330)	(161)
Net cash generated from/ (used in) operating activities	<u>1,082</u>	<u>2,051</u>
Investing activities		
Purchase of property, plant and equipment and new leased equipment	(651)	(825)
Proceeds from disposal of property, plant and equipment	2	-
Net cash used in investing activities	<u>(649)</u>	<u>(825)</u>
Financing activities		
Interest paid	(324)	(483)
Repayment of lease liabilities	(311)	(188)
Repayment of term loans	(467)	(424)
Other short-term borrowings, net	367	2,504
Changes in pledged deposit	(59)	-
Net cash generated from financing activities	<u>(794)</u>	<u>1,409</u>
Net change in cash and cash equivalents	<u>(361)</u>	<u>2,635</u>
Cash and cash equivalents at the beginning of financial period	3,721	2,224
Effect of exchange rate changes on cash and cash equivalents	21	41
Cash and cash equivalents at the end of financial period	<u>3,381</u>	<u>4,900</u>
	Group	
	1H2021	1H2020
	S\$'000	S\$'000
<u>Cash and cash equivalents in the consolidated statement of cash flows:</u>		
Cash and bank balances	3,381	4,900
Pledged deposits	1,299	1,185
Cash and cash equivalents	<u>4,680</u>	<u>6,085</u>
Less: Pledged deposits	(1,299)	(1,185)
	<u>3,381</u>	<u>4,900</u>

(E) Notes to the Condensed Interim Consolidated Financial Statements

1. Corporate information

KTMG Limited (the “**Company**”) is incorporated as a limited liability company and domiciles in Singapore. The Company is listed on the Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”). These condensed interim consolidated financial statements as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (collectively, the “**Group**”). The principal activity of the Company is that of an investment holding company.

The principal activities of the Group are:

- (a) Apparel manufacturing
- (b) Operation of a fabric knitting, dyeing and finishing plant
- (c) Investment holding

2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar which is the Company’s functional currency.

2.1 New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group has adopted the applicable revised SFRS(I) that are mandatory for accounting period beginning 1 January 2021. The adoption of the SFRS(I) did not have a significant impact on the financial statements of the Group

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group is organised into business units based on its services and has one reportable operating segment – the Apparel business segment.

The Apparel business segment relates to revenue generated from the manufacture and sales of apparel products to customers located in the United States, United Kingdom, Canada, European Union, Malaysia and other countries.

Geographical Information

The revenue and non-current assets are grouped into country or region that exhibit similar economic environment. Revenue and non-current assets information based on the geographical location of customers and assets respectively is as follows:

Revenue	Group		Change %
	1H2021 (Unaudited) S\$'000	1H2020 (Unaudited) S\$'000	
United States	11,893	10,238	16.2
United Kingdom	8,409	6,690	25.7
Canada	623	501	24.4
European Union	5,789	4,899	18.2
Malaysia	775	2,316	(66.5)
Others	826	397	108.1
	28,315	25,041	13.1

The Group trades with customers in the countries shown above. In presenting information on the basis of geographical segments, segment revenue is based on the countries in which customers are invoiced.

Non-current assets	Group	
	As at 30 Jun 2021 (Unaudited) S\$'000	As at 30 Jun 2020 (Unaudited) S\$'000
Malaysia	15,027	15,342
Cambodia	3,332	3,909
Singapore	73	192
	18,432	19,443

Non-current assets information presented above consists of the following items as presented in the consolidated statement of financial position:

Non-current assets	Group	
	As at 30 Jun 2021 (Unaudited) S\$'000	As at 30 Jun 2020 (Unaudited) S\$'000
Property, plant and equipment	14,458	15,096
Right of use assets	3,742	4,054
Deferred tax assets	232	293
	18,432	19,443

5. Finance Cost

	Group	
	1H2021	1H2020
	(Unaudited)	(Unaudited)
	S\$'000	S\$'000
Interest expenses on:		
- Term loans	24	84
- Other short-term loans	152	239
- Lease liability	148	160
	324	483

6. Profit/ (loss) before tax for the period

	Group	
	1H2021	1H2020
	(Unaudited)	(Unaudited)
	S\$'000	S\$'000
Profit/ (loss) before tax for the period included the following items -		
Depreciation expenses:		
Properties, plant and equipment	(698)	(803)
Right-of-use assets	(354)	(294)
Foreign exchange (loss)/ gain, net	(460)	(26)
Legal and other professional fees	(188)	(125)
Impairment of trade receivables	(222)	-

7. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expenses in the condensed interim consolidated statement of profit or loss are:

	Group	
	1H2021	1H2020
	(Unaudited)	(Unaudited)
	S\$'000	S\$'000
Current taxation		
Current period	51	169
Deferred tax expense		
Origination and reversal of temporary differences	(25)	-
	26	169

	2021	2020
Tax rates	%	%
Cambodia	20	20
Malaysia	24	24
Singapore	17	17

8. Related party transactions

There were no material related party transactions during the financial period.

9. Property, plant and equipment

The movement in property, plant and equipment is as follows:

	Group	
	30 Jun 2021 (Unaudited) S\$'000	31 Dec 2020 (Audited) S\$'000
Cost		
Opening balance	25,638	25,891
Additions	651	422
Reclassification from ROU assets on full repayment of lease liabilities	196	232
Disposal/ Write-off	(13)	(809)
Translation differences on consolidation	(164)	(98)
Closing balance	26,308	25,638
Accumulated depreciation		
Opening balance	11,000	10,173
Depreciation charge	698	1,454
Reclassification from ROU assets on full repayment of lease liabilities	177	232
Disposal/ Write-off	(12)	(746)
Translation differences on consolidation	(13)	(113)
Closing balance	11,850	11,000
Carrying amount	14,458	14,638

10. Right-of-use assets

	Group	
	30 Jun 2021 (Unaudited) S\$'000	31 Dec 2020 (Audited) S\$'000
Cost		
Opening balance	5,742	4,894
New leases entered during the period	-	1,208
Early termination/ end of lease	(80)	(45)
Reclassification to "plant and equipment" on full repayment of lease liabilities	(148)	(232)
Translation differences on consolidation	5	(83)
Closing balance	5,519	5,742
Accumulated depreciation		
Opening balance	1,628	1,170
Depreciation charge	354	760
Early termination/ end of lease	(65)	(37)
Reclassification to "plant and equipment" on full repayment of lease liabilities	(148)	(232)
Translation differences on consolidation	8	(33)
Closing balance	1,777	1,628
Carrying amount	3,742	4,114

11. Trade and other receivables

	Group	
	30 Jun 2021	31 Dec 2020
	(Unaudited)	(Audited)
	S\$'000	S\$'000
Trade receivables	12,027	21,484
Allowance for impairment loss	(222)	(491)
Net trade receivables	11,805	20,993
Other receivables	234	74
Deposits	832	907
Financial assets at amortization costs	12,871	21,974
Advances to suppliers	-	43
Prepayments	178	185
Net input GST/ VAT recoverable	143	122
Total trade and other receivables	13,192	22,324

12. Borrowings

Revenue	Maturity on borrowings	Group	
		31 Jun 2021	31 Dec 2020
		(Unaudited)	(Unaudited)
		S\$'000	S\$'000
<u>Secured</u>			
Term loans:			
- Floating rate	2021- 2024	2,813	3,333
		2,813	3,333
Other short-term loans:			
- Trust receipts	On demand	10,014	10,163
- Bankers' acceptance	On demand	3,032	3,554
- Invoice financing	On demand	1,917	793
		14,963	14,510
		17,776	17,843
Presented as:			
- Non-current		1,677	2,213
- Current		16,099	15,630
		17,776	17,843

Borrowings are secured by bank guarantees and legal charges over the Group's freehold and leasehold land, buildings and pledged deposits with licensed banks.

The Group's obligations under lease liabilities are secured by the lessors' title to the leased assets.

13. Trade and other payables

	Group	
	30 Jun 2021	31 Dec 2020
	(Unaudited)	(Audited)
	S\$'000	S\$'000
Trade payables	13,690	9,766
Amounts due to directors/ shareholders (non-trade)	1,663	1,671
Amount due to a subsidiary (non-trade)	-	-
Accrued operating expenses	1,463	1,822
Accrued salaries and wages	784	1,480
Other payables	2,270	2,507
Miscellaneous creditors	189	174
Financial liabilities at amortised cost	20,059	17,420
Contract liabilities	74	621
	20,133	18,041

14. Share Capital

There have been no changes to the Company's issued and paid-up share capital since 31 December 2020 up to 30 June 2021.

The Company did not have any convertible securities, treasury shares and subsidiary holdings as at 30 June 2021 and 30 June 2020.

	No. of shares	Issued and paid-up share capital
	('000)	of the Company (S\$'000)
Ordinary Shares		
As at 30 Jun 2021 and 31 Dec 2020	169,682	33,201

15. Subsequent events

There are no known material subsequent events which have resulted in adjustments to this set of interim financial statements.

Other Information Required by Listing Rule Appendix 7C

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 30 Jun 2021	As at 31 Dec 2020
Total issued shares (excluding treasury shares)	169,681,544	169,681,544

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.

Not applicable. The Company does not have any treasury shares.

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.

Not applicable. The Company does not have any subsidiary holdings.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The consolidated statement of financial position of the Company and its subsidiaries as at 30 June 2021 and the related consolidated profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended and certain explanatory notes 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 auditor.

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 financial statements have been complied.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the 6-months financial period ended 30 June 2021 ("1H2021") as those applied in the preparation of the audited financial statements for the financial year ended 31 December 2020.

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.

Refer to Section 4 above.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	1H2021	1H2020
Profit/ (loss) attributable to owners of the Company (S\$'000)	(225)	221
Weighted average number of ordinary shares in issue ('000)	169,682	169,682
Basic and diluted earnings/ (loss) per share ("EPS") (Singapore cents)	(0.13)	0.13

The basic EPS and the diluted EPS are the same as the Company has no potentially dilutive ordinary shares in issue as at the end of the respective financial periods.

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

	Group		Company	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Net asset value (S\$'000)	18,050	18,443	25,331	25,510
Number of ordinary shares in issue ('000)	169,682	169,682	169,682	169,682
Net asset value per ordinary share (Singapore cents)	10.64	10.87	14.93	15.03

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss: -**
- (a) Any significant factors that affected the turnover, costs, and earnings of the group for the 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.**

Consolidated Statement of Comprehensive Income (1H2021 vs 1H2020)

The Group's revenue increased by approximately S\$3.3 million or 13.1% from S\$25.0 million in 1H2020 to S\$28.3 million in 1H2021. The increase in revenue was mainly due to more orders placed by existing customers and orders received from new customers.

The Group's cost of sales increased by approximately S\$3.1 million or 14.9% from S\$21.0 million in 1H2020 to S\$24.1 million in 1H2021. This increase comprises (i) approximately S\$1.1 million in labour costs; (ii) approximately S\$0.9 million in sub-contracting fees; and (iii) approximately S\$1.1 million of raw material costs.

Due to the increase of cost of sales, the Group's gross profit margin decreased by 1.3 percentage points from 16.3% in 1H2020 to approximately 15.0% in 1H2021.

The Group's other income decreased by approximately S\$72,000 or 46.5% from S\$155,000 in 1H2020 to S\$83,000 in 1H2021 due to less wage subsidies received from the Government of Malaysia.

The Group's administrative and general expenses increased by approximately S\$0.7 million or 26.4% from S\$2.7 million in 1H2020 to S\$3.4 million in 1H2021. The was mainly due to (i) increase in foreign exchange loss of approximately S\$0.4 million; (ii) increase in professional fees incurred by the Group of approximately S\$0.1 million; and (iii) increase in impairment loss of trade receivables of approximately S\$0.2 million. Depreciation of the Group's property, plant and equipment and right-of-use assets remained relatively constant at S\$1.1 million in 1H2021 and 1H2020.

The Group's selling and marketing expenses increased by approximately S\$0.1 million or 18.2% from S\$0.7 million in 1H2020 to S\$0.8 million in 1H2021. This increase comprises (i) postage and courier expenses of approximately S\$40,000, and (ii) expenses incurred from textile laboratory testing of approximately S\$80,000.

The Group's finance costs decreased by approximately S\$0.2 million or 32.9% from S\$0.5 million in 1H2020 to S\$0.3 million in 1H2021. In 1H2020, the Group deferred its principal repayments on term loan and trade loan, resulting in higher interest expenses incurred over the current period under review.

As a result of the above, the Group recorded a net loss after tax of S\$0.2 million in 1H2021 compared to a net profit after tax of approximately S\$0.2 million in 1H2020.

Consolidated Statement of Financial Position

Non-Current Assets

Non-current assets decreased by approximately S\$0.6 million from S\$19.0 million as at 31 December 2020 to S\$18.4 million as at 30 June 2021 mainly due to depreciation charge on the Group's property, plant and equipment and right-of-use assets, and partially offset by an increase from the acquisition of plant and machinery for the fabric dyeing facility in Malaysia.

Current Assets

Current assets increased by S\$1.9 million from S\$38.1 million as at 31 December 2020 to S\$39.9 million as at 30 June 2021.

Inventories increased by S\$11.3 million from S\$10.8 million as at 31 December 2020 to S\$22.1 million as at 30 June 2021. This was due to increase in stock fabric and other raw material to cater for the manufacturing of apparel products to be delivered to the Group's customers in the third quarter of the financial year ending 31 December 2021 ("FY2021").

Trade and other receivables decreased by approximately S\$9.1 million from S\$22.3 million as at 31 December 2020 to S\$13.2 million as at 30 June 2021. This was mainly due to better collections from customers during 1H2021.

Cash and bank balances decreased by approximately S\$0.3 million from S\$5.0 million as at 31 December 2020 to S\$4.7 million as at 30 June 2021.

Non-Current Liabilities

Non-current liabilities increased by S\$0.9 million from S\$4.3 million as at 31 December 2020 to S\$3.4 million as at 30 June 2021.

Borrowings decreased by approximately S\$0.5 million from S\$2.2 million as at 31 December 2020 to S\$1.7 million as at 30 June 2021 mainly due to the reclassification of term loans from "non-current" to "current".

Lease liabilities (non-current) decreased by approximately S\$0.3 million from S\$2.0 million as at 31 December 2020 to S\$1.7 million as at 30 June 2021. This was mainly due to the reclassification of lease liabilities from "non-current" to "current". Correspondingly, lease liabilities (current) increased by S\$0.3 million which was offset by a decrease due to repayment of lease liabilities during the financial period.

Current Liabilities

Current liabilities increased by S\$2.6 million from S\$34.3 million as at 31 December 2020 to S\$36.9 million as at 30 June 2021.

Borrowings increased by approximately S\$0.5 million from S\$15.6 million as at 31 December 2020 to S\$16.1 million as at 30 June 2021 mainly due to reclassification of term loan from "non-current" to "current" amounting to S\$0.5 million and additional short-term financing utilised during the financial period amounting to S\$0.4 million. The increase was offset by repayment of term loans.

Trade and other payables increased by approximately S\$2.1 million from S\$18.0 million as at 31 December 2020 to approximately S\$20.1 million as at 30 June 2021. The increase was mainly due to purchase of raw material in the month of June 2021 to fulfil deliveries in the third quarter of FY2021. The increase was partially offset by decreases in accrued operating expenses, accrued salaries and wages and other payables.

Review of Statement of Cash Flows

The Group's net cash flow generated from operating activities amounted to approximately S\$1.1 million in 1H2021. This was mainly due to a positive operating cash flows before working capital changes of approximately S\$1.4 million, a decrease in trade and other receivables, and an increase in trade and other payables, and partially offset by an increase of inventories, and income tax paid.

The Group's net cash flows used in investing activities in 1H2021 amounted to approximately S\$0.6 million mainly due the acquisition of plant and machinery for the textile facility in Malaysia.

The Group's net cash flows used in financing activities in 1H2021 amounted to approximately S\$0.8 million primarily due to repayments of lease liabilities, interest, and repayments on term loans and offset by net proceeds from short-term borrowings.

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

Not applicable. No forecast or prospect statement had been previously disclosed to shareholders.

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 know factors or events that may affect the group in the next reporting period and the next 12 months.

Due to the continued rollout of vaccinations as well as the progressive easing of COVID-19 restrictions and national lockdowns in our major markets, the United States of America ("US"), United Kingdom, and European Union, demand from our customers has picked up in the past few months and we anticipate order book to remain relatively healthy in the second half of FY2021.

Despite this recovery, the recent resurgence of COVID-19 cases, as well as countermeasures to curb the spread of the new COVID-19 variants continue to pose challenges to our operations. The Group reduced to operating at 60% manpower capacity in our operations in Malaysia since 1 June 2021, as the Government of Malaysia imposed a Full Movement Control Order, which has since been extended indefinitely until the COVID-19 situation in Malaysia improves. The Group expects the operating environment to remain challenging with the ever-evolving COVID-19 pandemic and pressure on margins stemming from rising logistics and raw materials costs.

Nevertheless, the Group remains cautiously optimistic on the business outlook going forward. We recently secured a few international retailers to add to our customer base and this will contribute positively to the growth of our Group in the near term.

The Group has observed that many apparel retailers have moved their sourcing out from China due to the persisting US-China trade tensions. Additionally, the US ban on products using cotton from Xinjiang, China, due to concerns of human rights abuses in the province has also further accelerated this shift, with many retailers looking for alternative cotton sources and supply chain locations. The geopolitical instability in Myanmar due to the military coup early this year has also led to retailers seeking alternatives to Myanmar manufacturers in neighbouring countries with similar costs. The Group also observed that some garment factories have permanently shut down during the pandemic, which has, in turn, caused their customers to begin seeking alternatives. With our capabilities as an integrated textile and apparel manufacturer and established track record, the Group is well-positioned to tap on these opportunities and will continue to actively seek out and engage these potential customers seeking alternative manufacturers in Southeast Asia like ourselves.

We will also continue to monitor the COVID-19 situation closely to mitigate any potential further disruptions to our operations. The health and safety of our employees remain our top priority and we will continue to adhere to the COVID-19 Guidelines and Standard Operating Procedures recommended by the Ministry of Health of Malaysia (Kementerian Kesihatan Malaysia), such as the mandated wearing of face masks, safe distancing measures, disinfection of factory premises and hostel areas as well as daily checks on our workers' health.

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) Book closure date:

Not applicable

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

No dividend has been recommended for the current financial period reported on as the Group is focusing on conserving cash to strengthen its financial position and to cater for the working capital of the newly operating dyeing factory.

13. If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii) of the Catalist Rules. If no IPT mandate has been obtained, a statement to that effect.

Not applicable. The Group does not have a general mandate from shareholders for IPTs pursuant to Rule 920(1)(a)(ii) of the Catalist Rules. There are no IPTs of S\$100,000 or more during the financial period under review.

14 Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules.

The Company confirms that it has procured 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.

The Board of Directors of the Company confirms, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements for the period ended 30 June 2021 to be false or misleading in any material aspect

BY ORDER OF THE BOARD

Damien Lim Vhe Kai
Chief Executive Officer

12 August 2021

This announcement has been reviewed by the Company's sponsor SAC Capital Private Limited (the "**Sponsor**"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (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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