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GAYLIN HOLDINGS LIMITED (Company Registration Number: 201004068M)

UNAUDITED SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2018

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND 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

CONSOLIDATED INCOME STATEMENT

	Group			Group		
	2nd Qtr Ended	Incr/		6 Months Ended	Incr/	
	30/09/2018	30/09/2017	(decr)	30/09/2018	30/09/2017	(decr)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	16,462	19,055	(13.6)	31,645	37,461	(15.5)
Cost of sales	(15,719)	(16,085)	(2.3)	(28,418)	(30,973)	(8.2)
Gross profit	743	2,970	(75.0)	3,227	6,488	(50.3)
Other operating (expenses) income	(131)	(374)	(65.0)	390	(647)	NM
Distribution costs	(1,111)	(1,142)	(2.7)	(2,126)	(2,311)	(8.0)
Administrative expenses	(3,976)	(3,244)	22.6	(7,277)	(6,609)	10.1
Finance cost	(476)	(677)	(29.7)	(908)	(1,289)	(29.6)
Loss before income tax	(4,951)	(2,467)	NM	(6,694)	(4,368)	53.3
Income tax (expense) benefit	(17)	5	NM	14	(188)	NM
Loss for the period	(4,968)	(2,462)	NM	(6,680)	(4,556)	46.6
Loss attributable to:						
Owners of the Company	(4,956)	(2,454)	NM	(6,615)	(4,530)	46.0
Non-controlling interests	(12)	(8)	50.0	(65)	(26)	NM
	(4,968)	(2,462)	NM	(6,680)	(4,556)	46.6
Gross profit margin	4.5%	15.6%	(71.0)	10.2%	17.3%	(41.1)
Net loss margin	-30.2%	-12.9%	NM	-21.1%	-12.2%	73.6
EBITDA ⁽¹⁾ (S\$'000)	(3,611)	(643)	NM	(4,030)	(703)	473.3
EBITDA margin	-21.9%	-3.4%	NM	-12.7%	-1.9%	578.6

⁽¹⁾ : Denotes earnings before interest, taxes, depreciation and amortisation

NM: Not meaningful

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group			Group		
	2nd Qtr Ended		Incr/	6 Months Ended		Incr/
	30/09/2018	30/09/2017	(decr)	30/09/2018	30/09/2017	(decr)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Loss for the period	(4,968)	(2,462)	NM	(6,680)	(4,556)	46.6
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Translation gain (loss) arising on consolidation	45	(281)	NM	320	(467)	NM
Other comprehensive income for the period, net of tax	45	(281)	NM	320	(467)	NM
Total comprehensive income for the period	(4,923)	(2,743)	79.5	(6,360)	(5,023)	26.6
Total comprehensive income attributable to:						
Owners of the Company	(4,912)	(2,734)	79.7	(6,296)	(4,993)	26.1
Non-controlling interests	(11)	(9)	NM	(64)	(30)	NM
	(4,923)	(2,743)	79.5	(6,360)	(5,023)	26.6

1(a)(ii) Loss before income tax is arrived at after charging/(crediting) the following:

	Group			Group		
	2nd Qtr Ended		Incr/	6 Months Ended		Incr/
	30/09/2018	30/09/2017	(decr)	30/09/2018	30/09/2017	(decr)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Doubtful trade receivables recovered	(41)	-	NM	(41)	(97)	(57.7)
Trade receivables written off	57	28	103.6	57	45	26.7
Allowance for doubtful trade receivables	26	-	NM	26	-	NM
(Gain) loss on disposal of property, plant and equipment ("PPE")	(18)	(22)	(18.2)	(410)	49	NM
Depreciation	911	1,028	(11.4)	1,850	2,135	(13.3)
Amortisation of intangible assets	-	119	(100.0)	-	241	(100.0)
Foreign exchange loss	214	385	NM	88	693	(87.3)
Interest income	(1)	(1)	-	(1)	(2)	(50.0)
Interest expense	429	677	(36.6)	814	1,289	(36.9)

- 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

	Group		Company	
	30/09/2018	31/03/2018	30/09/2018	31/03/2018
	S\$'000	S\$'000	S\$'000	S\$'000
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	39,806	57,795	35,445	52,117
Trade receivables	13,973	11,421	2,995	3,112
Other receivables	1,267	952	76,310	61,671
Income tax receivables	172	120	-	-
Inventories	71,931	79,881	-	-
Total current assets	127,149	150,169	114,750	116,900
Non-current assets				
Property, plant and equipment	30,805	32,161	324	408
Other receivables	-	2	-	-
Deferred tax assets	87	85	-	-
Subsidiary corporations	-	-	6,020	6,019
Total non-current assets	30,892	32,248	6,344	6,427
Total assets	158,041	182,417	121,094	123,327
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Trade payables	5,627	6,060	-	-
Other payables	5,755	7,975	788	1,439
Provision	408	902	-	494
Current portion of bank borrowings	4,315	8,895	-	-
Current portion of finance leases	442	594	1	4
Income tax payable	-	58	-	-
Total current liabilities	16,547	24,484	789	1,937
Non-current liabilities				
Bank borrowings	38,246	48,159	-	-
Finance leases	182	348	-	-
Deferred tax liabilities	29	29	9	9
Total non-current liabilities	38,457	48,536	9	9
Total liabilities	55,004	73,020	798	1,946
Net assets	103,037	109,397	120,296	121,381
Capital, reserves and non-controlling interests				
Share capital	118,340	118,340	118,340	118,340
(Accumulated losses) Retained earnings	(16,360)	(9,745)	1,956	3,041
Translation reserve	1,038	719	-	-
Equity attributable to owners of the Company	103,018	109,314	120,296	121,381
Non-controlling interests	19	83	-	-
Total equity	103,037	109,397	120,296	121,381

- 1(b)(ii)** In relation to the aggregate amount of group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year

Amount repayable in one year or less, or on demand

	30/09/2018		31/03/2018	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Term loans	2,715	-	-	13
Short term loans	-	1,600	-	2,600
Bank bills payable	-	-	91	6,125
Finance leases	442	-	594	-
Overdrafts	-	-	66	-
	<u>3,157</u>	<u>1,600</u>	<u>751</u>	<u>8,738</u>

Amount repayable after one year

	30/09/2018		31/03/2018	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Term loans	36,746	1,500	46,659	1,500
Finance leases	182	-	348	-
	<u>36,928</u>	<u>1,500</u>	<u>47,007</u>	<u>1,500</u>

Details of any collaterals

Certain bank borrowings are secured by a legal mortgage over the Group's freehold & leasehold land and buildings, certain plant and machinery, a floating charge over certain inventories of the Group.

Finance leases are secured by charges over the leased assets. Certain leases are guaranteed by a corporate guarantee by the Company.

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

	Group		Group	
	2nd Qtr Ended		6 Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities				
Loss before income tax	(4,951)	(2,467)	(6,694)	(4,368)
Adjustments for :				
Interest expense	429	677	814	1,289
Interest income	(1)	(1)	(1)	(2)
Depreciation	911	1,028	1,850	2,135
Amortisation of intangible assets	-	119	-	241
Allowance for doubtful trade receivables	26	-	26	-
Doubtful trade receivables recovered	(41)	-	(41)	(97)
Trade receivables written off	57	28	57	45
(Gain) loss on disposal of PPE	(18)	(22)	(410)	49
Net foreign exchange gain - unrealised	7	(26)	10	(3)
Provision for slow moving and aged inventory	-	(2)	-	(4)
Operating cash flows before movements in working capital	(3,581)	(666)	(4,389)	(715)
Trade receivables	23	2,662	(2,411)	5,197
Other receivables and prepayments	-	276	(222)	498
Inventories	5,673	3,819	8,089	6,158
Trade payables	(941)	(1,298)	(425)	(2,704)
Other payables	793	(565)	(417)	(105)
Provision	(263)	-	(494)	-
Bank bills payable	(1,887)	(67)	(6,216)	(737)
Cash (used in) generated from operations	(183)	4,161	(6,485)	7,592
Interest paid for bank bills	(16)	(97)	(59)	(166)
Interest received	1	1	1	2
Income tax paid	(48)	(122)	(91)	(372)
Net cash (used in) from operating activities	(246)	3,943	(6,634)	7,056
Investing activities				
Proceeds on disposal of PPE	48	46	537	294
Purchases of PPE	(161)	(597)	(449)	(1,489)
Net cash (used in) from investing activities	(113)	(551)	88	(1,195)
Financing activities				
Loan from (repayments of) other payables	-	500	(2,000)	500
Interest paid for other borrowings	(428)	(573)	(902)	(1,124)
Repayment of obligations under finance leases	(154)	(176)	(319)	(347)
Repayment of bank loans	(4,680)	(3,488)	(8,211)	(8,856)
Transaction costs for loans	-	-	-	(35)
Contribution from a non-controlling interest	-	-	-	69
Restricted cash at bank	(901)	-	(1,504)	-
Net cash used in financing activities	(6,163)	(3,737)	(12,936)	(9,793)
Net decrease in cash and cash equivalents	(6,522)	(345)	(19,482)	(3,932)
Effect of exchange rate changes on cash and cash equivalents	17	(43)	56	(66)
Cash and cash equivalents at beginning of the period	44,807	1,821	57,728	5,431
Cash and cash equivalents at end of the period	38,302	1,433	38,302	1,433
Cash and cash equivalents comprise the following:				
Cash and bank balances	39,806	2,760	39,806	2,760
Restricted cash at bank	(1,504)	-	(1,504)	-
Bank overdraft	-	(1,327)	-	(1,327)
	38,302	1,433	38,302	1,433

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

STATEMENT OF CHANGES IN EQUITY

	Share capital	(Accumulated losses) Retained earnings	Translation reserve	Attributable to owners of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group						
At 1 April 2018	118,340	(9,745)	719	109,314	83	109,397
Total comprehensive income for the period						
Loss for the year	-	(6,615)	-	(6,615)	(65)	(6,680)
Other comprehensive income for the period	-	-	319	319	1	320
Total	-	(6,615)	319	(6,296)	(64)	(6,360)
At 30 September 2018	118,340	(16,360)	1,038	103,018	19	103,037
At 1 April 2017	50,587	41,830	1,479	93,896	34	93,930
Total comprehensive income for the period						
Loss for the year	-	(4,530)	-	(4,530)	(26)	(4,556)
Other comprehensive income for the period	-	-	(463)	(463)	(4)	(467)
Total	-	(4,530)	(463)	(4,993)	(30)	(5,023)
Transactions with owners, recognised directly in equity						
Contribution from a non-controlling interest	-	-	-	-	69	69
At 30 September 2017	50,587	37,300	1,016	88,903	73	88,976
Company						
At 1 April 2018	118,340	3,041	-	121,381	-	121,381
Loss for the year, representing total comprehensive income for the period	-	(1,085)	-	(1,085)	-	(1,085)
At 30 September 2018	118,340	1,956	-	120,296	-	120,296
At 1 April 2017	50,587	3,423	-	54,010	-	54,010
Profit for the year, representing total comprehensive income for the period	-	522	-	522	-	522
At 30 September 2017	50,587	3,945	-	54,532	-	54,532

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State 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

Nil.

There were no outstanding convertibles which may be converted to shares. There were no treasury shares and subsidiary holdings held. As part of the recent completed acquisition of the entire issued and paid up share capital of AMOS International Holdings Pte. Ltd. on October 18, 2018, an aggregate of 799,374,250 ordinary shares of Gaylin Holdings Limited have been allotted and issued to the relevant shareholders.

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

	30/09/2018	31/03/2018
The total number of issued shares excluding treasury shares.	1,798,000,000	1,798,000,000

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. There were no treasury shares during and as at the end of the current financial period reported on.

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 September 2018, 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 and/or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

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

Except as disclosed in paragraph 5, the Group has adopted the same accounting policies and methods of computation in the announcement for the current financial period as those applied in the Group's most recently audited financial statements for the financial year ended 31 March 2018 as well as all the applicable Singapore Financial Reporting Standards ("FRSs") which became effective for the financial year beginning on or after 1 April 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 effect, of the change

The Group adopted a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 April 2018. The adoption of new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group.

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		Group	
	2nd Qtr Ended		6 Months Ended	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
Net loss after tax attributable to owners of the Company (\$'000)	(4,956)	(2,454)	(6,615)	(4,530)
Weighted average number of ordinary shares for calculation of ('000):				
- Basic earnings per share	1,798,000	438,000	1,798,000	438,000
- Diluted earnings per share	1,798,000	438,000	1,798,000	438,000
Earnings per share ("EPS") (cents/share)				
(a) Based on weighted average number of ordinary shares	(0.28)	(0.56)	(0.37)	(1.03)
(b) On a fully diluted basis	(0.28)	(0.56)	(0.37)	(1.03)

The Company has no dilutive equity instruments as at 30 September 2018.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on; and (b) immediately preceding financial year

	Group		Company	
	30/09/2018	31/03/2018	30/09/2018	31/03/2018
Net asset value attributable to shareholders of the Company (\$'000)	103,018	109,314	120,296	121,381
Number of ordinary shares ('000)	1,798,000	1,798,000	1,798,000	1,798,000
Net asset value per ordinary share (cents)	5.73	6.08	6.69	6.75

8. Review of the Group's performance

Revenue

Revenue

	2nd Qtr Ended		Incr/ (decr) %	6 months Ended		Incr/ (decr) %
	30/09/2018 S\$'000	30/09/2017 S\$'000		30/09/2018 S\$'000	30/09/2017 S\$'000	
Rigging and lifting	12,935	15,179	(14.8)	24,941	29,196	(14.6)
Marine Supply	3,527	3,876	(9.0)	6,704	8,265	(18.9)
Total	16,462	19,055	(13.6)	31,645	37,461	(15.5)

HY FY2019 vs HY FY2018

For the six months ended 30 September 2018 ("HY FY2019"), the Group's revenue was S\$31.6 million with a decrease of S\$5.8 million or 15.5% compared to S\$37.5 million for the corresponding period ended 30 September 2017 ("HY FY2018"). S\$4.2 million of this reduction was in the rigging and lifting segment, largely due to completion of projects and underperformance in the Middle East and a decrease of S\$1.6 million in the marine supply segment due to strategic realignment with marine customers.

2Q FY2019 vs 2Q FY2018

For second quarter ended 30 Sep 2018 ("2Q FY2019"), the Group's revenue was S\$16.5 million with a decrease of S\$2.6 million or 13.6% compared to S\$19.1 million for the corresponding period ended 30 September 2017 ("2Q FY2018"). S\$2.2 million of the decrease was from the rigging and lifting segment due to completion of projects and underperformance in the Middle East.

Gross profit

HY FY2019 vs HY FY2018

Gross profit decreased by S\$3.3 million or 50.3% from S\$6.5 million in HY FY2018 to S\$3.2 million in HY FY2019. The corresponding gross profit margin decreased from 17.3% to 10.2%. The decrease was mainly contributed to underperformance in the Middle East, the short-term tighter margins to enhance the Group's competitiveness and the sale of some slow-moving stock back to suppliers as the inventory is being right-sized.

2Q FY2019 vs 2Q FY2018

Gross profit decreased by S\$2.2 million or 75.0% from S\$3.0 million in 2Q FY2018 to S\$0.8 million in 2Q FY2019. The corresponding gross profit margin decreased from 15.6% to 4.5%. The decrease was mainly contributed to underperformance in the Middle East, the short-term tighter margins to enhance the Group's competitiveness and the sale of some slow-moving stock back to suppliers as the inventory is being right-sized.

Other operating (expenses) income

HY FY2019 vs HY FY2018

Other operating (expenses) income increased by S\$1.0 million in HY FY2019 compared to HY FY2018 mainly due to (i) decrease in foreign exchange loss of S\$0.6 million, and (ii) gain on disposal of PPE of S\$0.4 million in HY FY2019.

2Q FY2019 vs 2Q FY2018

Other operating expenses in 2Q FY2019 decreased by S\$0.2 million mainly due to decrease in foreign exchange loss of S\$0.2 million.

Distribution costs

HY FY2019 vs HY FY2018

Distribution costs in HY FY2019 decreased by S\$0.2 million compared to S\$2.3 million in HY FY2018 mainly due to decrease in marketing expenses.

2Q FY2019 vs 2Q FY2018

Distribution costs in 2Q FY2019 did not vary significantly from that of 2Q FY 2018.

Administrative expenses

HY FY2019 vs HY FY2018

Administrative expenses in HY FY2019 increased by S\$0.7 million compared to S\$6.6 million in HY FY2018 mainly due to increase in professional fees.

2Q FY2019 vs 2Q FY2018

Administrative expenses in 2Q FY2019 increased by S\$0.7 million compared to S\$3.2 million in 2Q FY2018 mainly due to increase in professional fees.

Finance cost

HY FY2019 vs HY FY2018

Finance cost in HY FY2019 decreased by S\$0.4 million compared to HY FY2018 mainly due to lower interest of S\$0.4 million resulting from the repayment of bank borrowings.

2Q FY2019 vs 2Q FY2018

Finance cost in 2Q FY2019 decreased by S\$0.2 million compared to 2Q FY2018 mainly due to lower interest of S\$0.2 million resulting from the repayment of bank borrowings.

Loss before income tax

As a result of the above reasons, loss before income tax was S\$6.7 million for HY FY2019.

Review of statement of financial position

Current assets

The current assets decreased by S\$23.0 million from S\$150.2 million as at 31 March 2018 to S\$127.2 million as at 30 September 2018. The decrease was mainly due to: (i) a decrease in cash and cash equivalents of S\$18.0 million resulting from repayment of bank borrowing and loan and (ii) a decrease in inventories by S\$8.0 million due to inventories sales during the normal course of business, offset by (i) an increase in trade receivables by S\$2.6 million mainly due to higher sales in Sep 2018, and (ii) an increase in other receivables by S\$0.3 million mainly arising from the prepayment and deposit.

Non-current assets

The non-current assets decreased by S\$1.3 million from S\$32.2 million as at 31 March 2018 to S\$30.9 million as at 30 September 2018. The decrease was mainly due to a drop in PPE by S\$1.3 million (mainly due to depreciation of S\$1.9 million in HY FY2019 and net additions of PPE of S\$0.6 million).

Current liabilities

The current liabilities decreased by S\$8.0 million from S\$24.5 million as at 31 March 2018 to S\$16.5 million as at 30 September 2018. The decrease was mainly due to (i) repayment of bank borrowings and finance leases of S\$4.7 million (ii) decrease in other payables of S\$2.2 million mainly due to repayment of loan from a third party of S\$2.0 million, (iii) decrease in provision of restructuring cost of S\$0.5 million due to repayment, and (iv) decrease in trade payables of S\$0.4 million.

Non-current liabilities

Non-current liabilities decreased by S\$10.0 million from S\$48.5 million as at 31 March 2018 to S\$38.5 million as at 30 September 2018. The decrease was mainly due to repayment of bank borrowings amounting to S\$9.9 million and repayment of finance lease of S\$0.1 million.

Capital, reserves and non-controlling interests

The decrease in shareholder's equity of S\$6.4 million was mainly due to a loss of S\$6.6 million during the period offset by the increase in translation reserve of S\$0.3 million.

Review of statement of Cash Flows

HY FY2019 ended 30 September 2018

Net cash used in operating activities

In HY FY2019, we had operating cash outflows of S\$4.4 million from operating activities before changes in working capital.

Our net working capital outflow amounted to S\$2.1 million. This was mainly due to: (i) bank bills paid off of S\$6.2 million, (ii) an increase in trade receivables by S\$2.4 million, (iii) decrease in trade and other payables of S\$0.8 million, (iv) repayment of provision of S\$0.5 million, and (v) an increase in other receivables by S\$0.2 million, offset by a decrease in inventories by S\$8.0 million resulting from sales during the normal course of business.

We paid interest for bank bills and income tax of S\$0.1 million in total.

Overall, our net cash generated used in operating activities amounted to S\$6.6 million.

Net cash from investing activities

Net cash from investing activities amounted to S\$0.1 million in HY FY2019 mainly due to proceeds from net disposal of PPE of S\$0.5 million, offset by the payment for acquisition of PPE of S\$0.4 million.

Net cash used in financing activities

Net cash used in financing activities amounted to S\$12.9 million in HY FY2019. This was mainly due to: (i) the repayment of bank borrowings and related interest of S\$9.1 million, (ii) repayment of other payables of S\$2.0 million, (iii) the repayment of obligations under finance leases of S\$0.3 million, and (iv) restricted cash of S\$1.5 million due to covenant agreement with bank.

2Q FY2019 ended 30 September 2018

Net cash used in operating activities

In 2Q FY2019, we had operating cash outflows of S\$3.6 million from operating activities before changes in working capital.

Our net working capital outflow amounted to S\$3.4 million. This was mainly due to: (i) bank bills paid off of S\$1.9 million, (ii) decrease in trade payables of S\$0.9 million, and (iii) repayment of provision of S\$0.3 million, offset by (i) a decrease in inventories by S\$5.7 million result from sales during the normal course of business, and (ii) an increase in other payables by S\$0.8 million.

We paid interest for bank bills and income tax of S\$0.1 million in total.

Overall, our net cash generated used in operating activities amounted to S\$0.2 million.

Net cash from investing activities

Net cash from investing activities amounted to S\$0.1 million in 2Q FY2019 mainly due to proceeds from net disposal of PPE of S\$0.2 million, offset by the payment for acquisition of PPE of S\$0.1 million.

Net cash used in financing activities

Net cash used in financing activities amounted to S\$6.2 million in 2Q FY2019. This was mainly due to: (i) the repayment of bank borrowings and related interest of S\$5.1 million, (ii) the repayment of obligations under finance leases of S\$0.2 million, and (iii) restricted cash of S\$0.9 million due to covenant agreement with bank.

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 has 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 known factors or events that may affect the group in the next reporting period and the next 12 months

Gaylin's business is in transition. During this period of continued oil price volatility, the new management is executing on its business strategies in a controlled and deliberate manner. HY costs for the total Group (below the gross profit line) have been reduced by 10% compared to prior year. In fact, reported EBITDA includes S\$0.8 million of non-recurring professional, consultancy and legal costs attributable to certain corporate exercises such as the acquisition of Amos International Holdings Pte. Ltd.

The key focus areas to realign its cost base and identify targeted activities to promote the sale of slow moving and aged inventory have started to gain momentum. Following the inventory impairment at the end of FY2018, the new management have improved HY sales in Singapore by 25% and improved gross profit by 37% compared to prior year. As planned, property rentals in Singapore have been reduced and revenue from technical services in Southeast Asia have increased. The marine supplies business in Singapore has also produced improved year-on-year results.

Rigging and lifting activities in Vietnam are delivering improved year-on-year results, however the Company's Middle East operations are still going through an intense restructuring program which is negatively impacting results in the short term. A new Regional Director, based in Dubai, has now joined Gaylin to lead its business growth opportunities in the European and Middle East markets. The teams in both these markets are also being strengthened to drive regional business diversification.

Gaylin completed the acquisition of AMOS International Holdings Pte. Ltd. on 18 October 2018. AMOS is principally engaged in the provision of supplies, services and logistics solutions to the marine transportation sector. The acquisition creates revenue growth potential through cross-selling opportunities, and the expansion of client network and geographical reach. We expect that economies of scale will lead to cost savings on procurement, operations and financing. The Company's integration plan to realize the synergistic values of both revenue and cost is now underway.

In addition, and as a key component of the management's revitalization strategies, on 29 October 2018, Gaylin completed a refinancing exercise with E.Sun Commercial Bank. The Group will take advantage of the associated financing cost savings from November 2018 onwards.

11. Dividend

11(a) Any dividend declared for the current financial period reported on?

Nil

11(b) Any dividend declared for the corresponding period of the immediately preceding financial

No

11(c) Date payable

Not applicable.

11(d) Books closure date

Not applicable.

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

Not applicable.

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

The Group does not have a general mandate from shareholders for IPTs pursuant to Rule 920 of the Listing Manual of the SGX-ST. During the financial year, there were the following IPTs:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Amos International (S) Pte Ltd	317,876	Nil

Save for the above, there were no other IPTs, as defined in Chapter 9 of the Listing Manual of the SGX-ST, entered into during the financial period ended 30 September 2018.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers

The Company hereby confirms that it has procured undertakings from all the directors and executive officers under Rule 720(1) of the Listing Manual.

15. Negative confirmation pursuant to Rule 705(5)

The Board of Directors of the Company hereby confirm, 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 for the 6 months ended 30 September 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

KYLE ARNOLD SHAW, JR

Executive Chairman

9 November 2018