TRAVELITE HOLDINGS LTD.
(Registration No. 200511089K)

Half Year Financial Statement Announcement For The Six Months Ended 30 September 2019

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

1 (a) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group 6 months ended		
	Sep 2019 $'000	Sep 2018 $'000	+ / (-) %
Revenue	19,743	18,218	8.4
Cost of sales	(11,591)	(10,579)	9.6
Gross profit	8,152	7,639	6.7
Other items of income			
Interest income	261	48	443.8
Other gains	93	133	(30.1)
Other items of expense			
Marketing and distribution costs	(6,679)	(5,430)	23.0
Administrative expenses	(2,396)	(3,067)	(21.9)
Finance costs	(565)	(294)	92.2
Other losses	(490)	(299)	63.9
Loss before tax from continuing operations	(1,624)	(1,270)	27.9
Income tax expense	(81)	(84)	(3.6)
Loss from continuing operations, net of tax	(1,705)	(1,354)	25.9
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax	5	22	(77.3)
Total comprehensive loss	(1,700)	(1,332)	27.6

	Group 6 months ended		
	Sep 2019 $'000	Sep 2018 $'000	+ / (-) %
Loss attributable to owners of the parent, net of tax:			
- from continuing operations	(1,369)	(1,007)	35.9
Loss attributable to non-controlling interests, net of tax:			
- from continuing operations	(336)	(347)	(3.2)
Loss net of tax	(1,705)	(1,354)	25.9
Total comprehensive loss attributable to owners of the parent	(1,364)	(985)	38.5
Total comprehensive loss attributable to non-controlling interests	(336)	(347)	(3.2)
Total comprehensive loss	(1,700)	(1,332)	27.6

N.M. denotes not meaningful

Notes on statement of comprehensive income

	Group 6 months ended	
	Sep 2019 $'000	Sep 2018 $'000
Other gains/(losses)		
Amortisation of other intangible assets	(17)	(17)
Foreign exchange adjustment gains	4	38
Gain on disposal of plant and equipment	23	17
Government grants received	66	78
Plant and equipment written off	(19)	–
Inventories written off	(5)	(43)
Allowance for impairment on inventories	(166)	(90)
Allowance for impairment on receivables	(283)	(149)
Net	(397)	(166)
Presented in profit or loss as:		
Other gains	93	133
Other losses	(490)	(299)
Net	(397)	(166)
Finance costs		
Interest expense	565	294

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.

	Group			Company		
	2019			2019		
	30 Sep	31 Mar	+ / (-)	30 Sep	31 Mar	+ / (-)
	$'000	$'000	%	$'000	$'000	%
ASSETS						
Non-current assets						
Property, plant and equipment	21,253	21,439	(0.9)	19,564	19,716	(0.8)
Investment property	1,823	1,903	(4.2)	–	–	N.M.
Intangible assets	225	242	(7.0)	–	–	N.M.
Right-of-use assets	10,644	–	N.M.	7,823	–	N.M.
Investments in subsidiaries	–	–	N.M.	12,734	12,734	0.0
Investment in associate	169	169	0.0	–	–	N.M.
Investment in joint venture	–	–	N.M.	–	–	N.M.
Deferred tax assets	22	24	(8.3)	–	–	N.M.
Other receivables	259	252	2.8	–	–	N.M.
Total non-current assets	34,395	24,029	43.1	40,121	32,450	23.6
Current assets						
Inventories	14,283	12,165	17.4	–	–	N.M.
Trade and other receivables	14,417	12,576	14.6	3,156	2,721	16.0
Other assets	435	597	(27.1)	24	21	14.3
Cash and cash equivalents	5,111	9,924	(48.5)	940	1,597	(41.1)
Total current assets	34,246	35,262	(2.9)	4,120	4,339	(5.0)
Total assets	68,641	59,291	15.8	44,241	36,789	20.3
EQUITY AND LIABILITIES						
Equity attributable to owners of the parent						
Share capital	21,831	21,831	0.0	21,831	21,831	0.0
Treasury shares	(2)	(2)	0.0	(2)	(2)	0.0
Retained earnings/ (accumulated losses)	1,149	2,518	(54.4)	(5,249)	(5,191)	1.1
Other reserves	345	340	1.5	(82)	(82)	0.0
Equity, attributable to owners of the parent, total	23,323	24,687	(5.5)	16,498	16,556	(0.4)
Non-controlling interests	3,231	3,567	(9.4)	–	–	N.M.
Total equity	26,554	28,254	(6.0)	16,498	16,556	(0.4)

	Group			Company		
	2019			2019		
	30 Sep	31 Mar	+ / (-)	30 Sep	31 Mar	+ / (-)
	$'000	$'000	%	$'000	$'000	%
Non-current liabilities						
Provisions	174	160	8.8	–	–	N.M.
Deferred tax liabilities	155	154	0.6	56	50	12.0
Finance leases	125	35	257.1	95	–	N.M.
Lease liabilities arising from right-of-use assets	9,386	–	N.M.	7,760	–	N.M.
Other financial liabilities	10,116	10,466	(3.3)	10,116	10,466	(3.3)
Total non-current liabilities	19,956	10,815	84.5	18,027	10,516	71.4
Current liabilities						
Income tax payable	231	231	0.0	53	62	(14.5)
Trade and other payables	5,296	5,957	(11.1)	1,308	1,447	(9.6)
Finance leases	57	68	(16.2)	24	–	N.M.
Lease liabilities arising from right-of-use assets	1,344	–	N.M.	113	–	N.M.
Other financial liabilities	15,203	13,966	8.9	8,218	8,208	0.1
Total current liabilities	22,131	20,222	9.4	9,716	9,717	(0.0)
Total liabilities	42,087	31,037	35.6	27,743	20,233	37.1
Total equity and liabilities	68,641	59,291	15.8	44,241	36,789	20.3

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

	Group			
	2019			
	30 Sep		31 Mar	
	Secured	Unsecured	Secured	Unsecured
	$'000	$'000	$'000	$'000
a) Aggregate repayable in one year or less, or on demand	8,275	6,985	8,276	5,758
b) Amount payable after one year	10,241	–	10,501	–

The facilities are secured or covered by:

1) First legal mortgages on leasehold properties held by the Company and a subsidiary.
2) Assignment of rental proceeds from the leasehold properties held by the Company and a subsidiary.
3) Corporate guarantee from certain subsidiaries in favour of the lender of the Company.
4) Corporate guarantee from the Company in favour of lenders of certain subsidiaries.
5) Negative pledge on the assets of a subsidiary.
6) The obligation under finance leases are secured over 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.

	Group	
	6 months ended	
	Sep 2019	Sep 2018
	$'000	$'000
Cash flows from operating activities		
Loss before tax	(1,624)	(1,270)
Adjustments for:		
Interest income	(261)	(48)
Interest expense	565	294
Depreciation of property, plant and equipment	678	651
Depreciation of investment property	80	80
Depreciation of right-of-use assets	784	–
Amortisation of other intangible assets	17	17
Gain on disposal of plant and equipment	(23)	(17)
Plant and equipment written off	19	–
Provisions	21	25
Operating cash flows before changes in working capital	256	(268)
Inventories	(2,118)	(1,179)
Trade and other receivables	(1,840)	(1,133)
Other assets	162	–
Trade and other payables	(682)	2,406
Provisions	(7)	(40)
Net cash flows used in operations before interest and tax	(4,229)	(214)
Income tax paid	(79)	(48)
Net cash flows used in operating activities	(4,308)	(262)
Cash flows from investing activities		
Disposal of plant and equipment	45	36
Purchase of plant and equipment (see Note A)	(403)	(378)
Increase in investment in an associate	–	(54)
Cash restricted in use	100	–
Interest received	261	48
Net cash flows from/(used in) investing activities	3	(348)
Cash flows from financing activities		
Finance lease repayments	(51)	(55)
Repayment of lease liabilities	(698)	–
Increase in other financial liabilities	1,220	–
Decrease in other financial liabilities	(340)	(366)
Interest paid	(565)	(294)
Net cash flows used in financing activities	(434)	(715)

	Group	
	6 months ended	
	Sep 2019	Sep 2018
	$'000	$'000
Net decrease in cash and cash equivalents	(4,739)	(1,325)
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	9,474	6,065
Net effect of exchange rate changes on cash and cash equivalents	19	51
Cash and cash equivalents, consolidated statement of cash flows, ending balance	4,754	4,791
Analysis of cash and cash equivalents for consolidated statement of cash flows:		
Cash and cash equivalents	5,111	4,860
Cash restricted in use	(350)	–
Overdrafts	(7)	(69)
Cash and cash equivalents for consolidated statement of cash flows purposes	4,754	4,791

NOTE:

A. Non-cash transaction:

During the financial period, there were acquisitions of plant and equipment with a total cost of $130,000 (1H FY2019: nil) by means of finance leases.

1 (d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

						Other reserves			
	Total equity	Attributable to parent sub-total	Share capital	Retained earnings (accumulated losses)	Treasury shares	Foreign currency translation reserve	Gain/ loss on acquisition or disposal of NCI	Loss on reissuance of treasury shares	Non-controlling interests
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group									
Balance at 1 April 2019	28,254	24,687	21,831	2,518	(2)	174	248	(82)	3,567
Movements in equity:									
Total comprehensive loss for the period	(1,700)	(1,364)	–	(1,369)	–	5	–	–	(336)
Balance at 30 September 2019	26,554	23,323	21,831	1,149	(2)	179	248	(82)	3,231
Balance at 1 April 2018	27,957	24,448	21,831	2,298	(2)	155	248	(82)	3,509
Movements in equity:									
Total comprehensive loss for the period	(1,332)	(985)	–	(1,007)	–	22	–	–	(347)
Balance at 30 September 2018	26,625	23,463	21,831	1,291	(2)	177	248	(82)	3,162
The Company									
Balance at 1 April 2019	16,556	16,556	21,831	(5,191)	(2)	–	–	(82)	–
Movements in equity:									
Total comprehensive loss for the period	(58)	(58)	–	(58)	–	–	–	–	–
Balance at 30 September 2019	16,498	16,498	21,831	(5,249)	(2)	–	–	(82)	–
Balance at 1 April 2018	16,731	16,731	21,831	(5,016)	(2)	–	–	(82)	–
Movements in equity:									
Total comprehensive loss for the period	(31)	(31)	–	(31)	–	–	–	–	–
Balance at 30 September 2018	16,700	16,700	21,831	(5,047)	(2)	–	–	(82)	–

1 (d) (ii) Details of any changes in the company's share capital arising from right 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 of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's share capital since the end of the previous period reported on, being 31 March 2019 till 30 September 2019.

The number of shares held as treasury shares as at 30 September 2019 was 7,800 (0.01%) (30 September 2018: 7,800 (0.01%)).

There were no outstanding convertibles or subsidiary holdings as at 30 September 2019 and 30 September 2018.

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.

The total number of issued shares excluding treasury shares as at the end of current financial period was 63,098,409 (31 March 2019: 63,098,409).

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.

No treasury shares were sold, transferred, cancelled or used during the period ended 30 September 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.

Not applicable as there were no subsidiary holdings.

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

The figures have not been audited or reviewed.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a 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 set out in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the Group's financial statements for the current financial period compared with the audited financial statements as at 31 March 2019.

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

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of "low value" assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use ("**ROU**") asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the ROU asset. Lease liabilities are included as part of net debt and are taken in consideration when deriving the net debt equity ratio. The Group applied SFRS(I) 16 on 1 April 2019, using the modified retrospective approach. Any cumulative effect of adopting SFRS(I) 16 is recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information.

In compliance with SFRS(I) 16, the Group applied the practical expedient to grandfather the definition of a lease on transition. SFRS(I) 16 will be applied to lease contracts entered before 1 April 2019 and those identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4. The ROU assets as at 30 September 2019 were mainly related to leases of the premises occupied by the Group as warehouses, specialty stores as well as office. The carrying amounts of the ROU assets of the Group and the Company as at 30 September 2019 were $10.6 million and $7.8 million respectively. There was a corresponding increase in the Group's and Company's lease liabilities of $10.7 million and $7.9 million respectively.

The finance costs from the lease liabilities and the depreciation for the ROU assets amounted to $0.2 million and $0.8 million in 1H FY2020 respectively. The principal payments on lease liabilities totalled $0.7 million in the same period. Other than the adoption of SFRS(I) 16 as disclosed above, the adoption of these new/revised SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

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	
	Sep 2019	Sep 2018
Loss per share (in cents)		
Continuing operations:		
- Basic and diluted	(2.2)	(1.6)

7 Net asset value (for the issuer and group) per ordinary share based on total number issued share capital excluding treasury shares of the issuer at end of the current financial period reported on and immediately preceding financial year.

	Group 2019		Company 2019	
	30 Sep	31 Mar	30 Sep	31 Mar
Net asset value per share (in cents)	42.1	44.8	26.1	26.2
Net assets (including non-controlling interest) ($'000)	26,554	28,254	16,498	16,556
Number of shares used in calculating net asset value per share ('000)	63,098	63,098	63,098	63,098

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) Commentary on The Statement of Comprehensive Income of The Group

(i) **Revenue**

Revenue rose by 8.4% year-on-year. Increase in sales from luggage and travel accessory products division was partly offset by weakened sales from menswear division.

(ii) **Gross Profit**

The gross profit margin of 41.3% in 1H FY2020 was comparable to 41.9% achieved in 1H FY2019.

(iii) **Interest Income**

An amount of $240,000 (1H FY2019: nil) was recognised as finance income pursuant to SFRS(I) 15 *Revenue from Contracts with Customers*.

(iv) **Other Gains**

The other gains of $93,000 (1H FY2019: $133,000) include government grants received of $66,000 (1H FY2019: $78,000) and gains on disposal of plant and equipment of $23,000 (1H FY2019: $17,000).

(v) **Marketing and Distribution Costs and Administrative Expenses**

The double-digit rise in marketing and distribution costs and drop in administrative expenses are the result of the Group's reclassification of warehousing and logistics costs from administrative to distribution function.

Operating expenses/revenue ratio fell slightly from 46.6% in 1H FY2019 to 46.0% in 1H FY2020. Depreciation of right-of-use assets totalling $0.8 million (1H FY2019: nil) was recognised pursuant to SFRS(I) 16 (refer to paragraph 5 of this announcement for more details), in place of operating lease payments of $0.7 million. The net increase in operating expenses by $0.6 million was attributable to the Group's luggage division in Malaysia, which resumed operations in September 2018 as well as our re-appointment as Delsey's distributor effective August 2018.

(vi) **Finance Costs**

Finance costs doubled primarily due to the adoption of SFRS(I) 16 *Leases* (refer to paragraph 5 of this announcement for more details).

(vii) **Other Losses**

Impairment losses on receivables and inventories totalling $449,000 (1H FY2019: $239,000) made up the bulk of the other losses of $490,000 (1H FY2019: $299,000).

(B) Commentary on The Consolidated Statements of Financial Position and Statement of Cash Flows

(i) The Group and Company recognised ROU assets totalling $11.4 million and $7.9 million respectively, on 1 April 2019. Depreciation amounting to $0.8 million was charged in 1H FY2020.

(ii) The Group's inventories were $2.1 million more as a result of bulk purchases in preparation for festive seasons in 2H FY2020. Stock turnover days maintained in the region of 7 to 8 months.

(iii) The Group's trade receivables rose by $2.2 million primarily due to longer trade credit taken by certain customers of the Group. Debtors' turnover days stood at 4 months. Other receivables reduced by $0.3 million following settlement of accounts.

(iv) Trade and other payables fell by $0.7 million despite purchases made close to period-end due to late arrival of incoming shipments in late Q3 and early Q4 of FY2019. Creditors' turnover days remained at under 40 days.

(v) Total other financial liabilities increased by $1.0 million as a result of (a) higher utilisation of overdrafts and bills payable by $1.2 million; (b) new finance lease entered into of $0.1 million; partly offset by (c) repayments of term loans and finance leases totalling $0.3 million. $7.5 million out of the Group's and the Company's current other financial liabilities was loans without fixed tenures and may be rolled over upon maturity for extended tenures i.e. revolving tenures.

(vi) The Group saw a deficit in operating cash flows of $4.3 million mainly due to the build-up in inventories and trade receivables.

(vii) As at 30 September 2019, the Group's cash and cash equivalents of $5.1 million was sufficient for its ongoing operations.

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

On 1 November 2019, the Group issued a profit warning that the Group expects to register a net loss for 1H FY2020. This was mainly due to lower demand for the Group's products, seasonal trend of our trade and smaller passive income. The Group strived to keep its operating expenses low. Nonetheless, additional expenses amounting to $0.3 million had to be recognised due to the Group's initial adoption of SFRS(I) 16 *Leases*, leading to larger post-tax loss by $351,000 to $1.7 million compared to the half year ended 30 September 2018.

The net loss suffered in 1H FY2020 is consistent with the above announcement released.

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 ambiguity of US-China trade negotiation has cast prolonged uncertainties and the global economy has slowed as optimism dampened over the past months. The withdrawal of the United Kingdom from the European Union, also known as Brexit, has been delayed again, throwing more doubts into the market. In addition, protests and tensions in Hong Kong, which started in March 2019 show no signs of abating. All of these have caused business and consumer confidence to be on the decline.

Under the circumstances, the Group will continue to review its current strategies to enhance its operational efficiency, together with close monitoring of its key cost drivers, in order to remain competitive and achieve profitability.

11 Dividends:

(a) Current financial period reported on

No dividend has been declared for this current financial period reported on.

(b) Corresponding period of the immediately preceding financial year

No dividend has been declared for the corresponding period of the immediately preceding financial year.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared or recommended for this current financial period reported on as the Group is conserving cash for business growth and opportunities.

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 Company does not have any general mandate from shareholders pursuant to Rule 920.

14 Negative confirmation pursuant to Rule 705 (5)

To the best of our knowledge, nothing material has come to the attention of the Board which may render the financial period results ended 30 September 2019 to be false or misleading in any material aspect.

15 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720 (1)

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720 (1) of the SGX-ST Listing Manual.

BY ORDER OF THE BOARD

THANG TECK JONG
Executive Chairman
6 November 2019