



ALLIED TECHNOLOGIES LIMITED

Financial Statements for the period ended 30 June 2019

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

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

	GROUP					
	3 months ended			6 months ended		
	2Q2019	2Q2018	+/(-) %	1H2019	1H2018	+/(-) %
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Continuing operations						
Revenue	31,146	39,407	(21%)	56,511	66,167	(15%)
Cost of revenue	(29,756)	(36,512)	(19%)	(54,704)	(61,072)	(10%)
Gross profit	1,390	2,895	(52%)	1,807	5,095	(65%)
Other income	232	571	(59%)	502	511	(2%)
General and administrative expenses	(3,285)	(2,316)	42%	(5,551)	(3,850)	44%
Finance costs	(242)	(48)	404%	(479)	(84)	470%
(Loss)/profit before tax from continuing operations	(1,905)	1,102	n.m	(3,721)	1,672	n.m
Income tax expense	(90)	(43)	109%	(137)	(97)	41%
(Loss)/profit from continuing operations, net of tax	(1,995)	1,059	n.m	(3,858)	1,575	n.m
Discontinued operation						
Profit from discontinued operation, net of tax	-	-	n.m	-	97	n.m
(Loss)/profit for the financial period	(1,995)	1,059	n.m	(3,858)	1,672	n.m
Attributable to:						
Owners of the Company						
(Loss)/profit from continuing operations, net of tax	(1,830)	635	n.m	(3,544)	1,151	n.m
Profit from discontinued operation, net of tax	-	-	n.m	-	97	n.m
(Loss)/profit for the financial period attributable to owners of the company	(1,830)	635	n.m	(3,544)	1,248	n.m
Non-controlling interests						
(Loss)/profit from continuing operations, net of tax	(165)	424	n.m	(314)	424	n.m
Profit from discontinued operation, net of tax	-	-	n.m	-	-	n.m
(Loss)/profit for the financial period attributable to non-controlling interests	(165)	424	n.m	(314)	424	n.m
(Loss)/earnings per share from continuing operations attributable to owners of the company (cents per share)						
Basic and diluted	(0.10)	0.05		(0.20)	0.09	
(Loss)/earnings per share (cents per share)						
Basic and diluted	(0.10)	0.05		(0.20)	0.09	
Other comprehensive income :						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation of foreign subsidiaries	(10)	(125)	(92%)	64	326	(80%)
Foreign currency translation recycled to profit or loss upon disposal and liquidation of subsidiaries	-	-		-	291	n.m
Total comprehensive income for the financial period	(2,005)	934	n.m	(3,794)	2,289	
Attributable to:						
Owners of the Company	(1,842)	934	n.m	(3,476)	1,839	n.m
Non-controlling interests	(163)	-	n.m	(318)	450	n.m
Total comprehensive income for the financial period	(2,005)	934	n.m	(3,794)	2,289	n.m
Attributable to:						
Owners of the Company						
Total comprehensive income from continuing operations	(1,842)	934	n.m	(3,476)	1,742	n.m
Total comprehensive income from discontinued operation	-	-	n.m	-	97	n.m
Total comprehensive income for the financial period attributable to owners of the Company	(1,842)	934	n.m	(3,476)	1,839	n.m

Note:

n.m - not meaningful

1 (a) An income statement and statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial period (cont'd).

(Loss)/profit before income tax from continuing and discontinued operations is arrived at after charging/(crediting) the following:

	GROUP					
	2Q2019	2Q2018	+ / (-)	1H2019	1H2018	+ / (-)
	S\$'000	S\$'000		S\$'000	S\$'000	
(a) Cost of revenue:						
Allowance for inventory obsolescence	382	93	311%	538	136	296%
Depreciation of property, plant and equipment	775	566	37%	1,494	1,131	32%
Depreciation of right-of-use assets	158	-	n.m	316	-	n.m
(b) Other income:						
Interest income	(39)	(11)	255%	(72)	(19)	279%
Investment return on amount due from the principal of an international sporting event	-	(202)	n.m	-	(202)	n.m
Dividend income from other investments	(217)	(187)	16%	(217)	(187)	16%
Gain on disposal of intangible assets	-	(30)	n.m	-	(30)	n.m
Loss/(gain) on disposal of property, plant and equipment	38	(32)	n.m	(62)	(21)	195%
Loss on disposal of a subsidiary	-	-	n.m	-	103	n.m
Amortisation of deferred interest income	-	-	n.m	-	(19)	n.m
Amortisation of compensation income	-	-	n.m	-	(40)	n.m
Rental income	(13)	(30)	(57%)	(27)	(72)	(63%)
(c) General and administrative expenses:						
Allowance for/(write back of) impairment on trade debtors	10	8	25%	12	(29)	n.m
Depreciation of property, plant and equipment	137	63	117%	254	130	95%
Depreciation of right-of-use assets	67	-	n.m	131	-	n.m
Amortisation of intangible assets	10	-	n.m	21	1	2000%
Foreign exchange loss/(gain)	329	89	270%	267	(29)	n.m

Note:

n.m. - not meaningful

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	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Intangible assets	24,059	24,080	-	-
Property, plant and equipment	24,231	24,084	8	-
Right-of-use assets	2,110	-	-	-
Investment in joint venture	-	-	-	-
Investment in subsidiary companies	-	-	55,583	53,083
Loan receivables from subsidiaries	-	-	4,111	7,326
Other investments	1,960	1,960	-	-
Prepayments	3,688	2,056	-	-
	<u>56,048</u>	<u>52,180</u>	<u>59,702</u>	<u>60,409</u>
Current assets				
Inventories	12,179	15,053	-	-
Trade debtors	23,492	21,297	-	-
Other debtors	5,806	6,371	100	11
Contract assets	2,017	1,500	-	-
Prepayments and advances to suppliers	759	601	25	8
Fixed deposits	2,445	4,957	-	-
Cash and bank balances	4,570	9,016	57	127
Amount due from a law firm	33,153	34,542	33,153	33,449
	<u>84,421</u>	<u>93,337</u>	<u>33,335</u>	<u>33,595</u>
Current liabilities				
Amounts due to a subsidiary	-	-	160	138
Trade creditors	26,519	29,046	-	-
Contract liabilities	1,916	827	-	-
Lease liabilities	618	-	-	-
Other creditors and accruals	6,619	8,069	1,037	419
Amount due to former directors	1,183	1,479	1,183	1,479
Amount due to a non-controlling shareholder of a subsidiary	371	238	-	-
Loans and borrowings	3,877	3,823	-	-
Income tax payable	197	192	-	-
	<u>41,300</u>	<u>43,674</u>	<u>2,380</u>	<u>2,036</u>
Net current assets	<u>43,121</u>	<u>49,663</u>	<u>30,955</u>	<u>31,559</u>
Non-current liabilities				
Lease liabilities	1,537	-	-	-
Loans and borrowings	6,492	6,840	-	-
Deferred tax liabilities	25	28	-	-
	<u>8,054</u>	<u>6,868</u>	<u>-</u>	<u>-</u>
Net assets	<u>91,115</u>	<u>94,975</u>	<u>90,657</u>	<u>91,968</u>
Equity attributable to owners of the Company				
Share capital	115,898	115,898	115,898	115,898
Statutory reserve fund	131	131	-	-
Other reserves	189	189	189	189
Fair value adjustment reserve	(245)	(245)	-	-
Accumulated losses	(25,302)	(21,692)	(25,430)	(24,119)
Foreign currency translation reserve	1,054	986	-	-
	<u>91,725</u>	<u>95,267</u>	<u>90,657</u>	<u>91,968</u>
Non-controlling interests	(610)	(292)	-	-
	<u>91,115</u>	<u>94,975</u>	<u>90,657</u>	<u>91,968</u>

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

Amount repayable in one year or less, or on demand

GROUP 30.06.2019		GROUP 31.12.2018	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
3,877	869	3,823	1,412

Amount repayable after one year

GROUP 30.06.2019		GROUP 31.12.2018	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
6,492	-	6,840	-

Details of any collateral

The Group's borrowings comprise the following:

- (i) amounts due to bankers;
- (ii) amount due to a non-controlling shareholder of a subsidiary;
- (iii) amount due to a director-related company (included in other creditors and accruals); and
- (iv) amount due to a director (included in other creditors and accruals).

The amounts due to bankers are secured facilities granted to the Group. The secured facilities granted are secured by:

- (1) fixed deposits placement by the Company's respective subsidiaries;
- (2) lands and properties of the respective subsidiaries; and
- (3) an agreed amount of corporate guarantee provided by the Company and its subsidiary.

The amounts due to a non-controlling shareholder of a subsidiary, a director-related company and a director are non-trade related, unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

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			
	3 months ended 2Q2019 S\$'000	2Q2018 S\$'000	6 months ended 1H2019 S\$'000	1H2018 S\$'000
Cash flows from operating activities:				
(Loss)/profit before tax from continuing operations	(1,905)	1,102	(3,721)	1,672
Profit before tax from discontinued operation	-	-	-	97
	(1,905)	1,102	(3,721)	1,769
Adjustments for:				
Loss/(gain) on disposal of property, plant and equipment	38	(32)	(62)	(21)
Gain on disposal of intangible assets	-	(30)	-	(30)
Depreciation of property, plant and equipment	912	629	1,748	1,261
Depreciation of right of use assets	225	-	447	-
Amortisation of deferred interest income	-	-	-	(19)
Loss on disposal of a subsidiary	-	-	-	103
Amortisation of intangible assets	10	-	21	1
Amortisation of compensation income	-	-	-	(40)
Interest income	(39)	(11)	(72)	(19)
Interest expense	213	48	417	134
Interest expense - lease liabilities	30	-	63	-
Dividend income from other investments	(217)	(187)	(217)	(187)
Investment return on amount due from the principal of an international sporting event	-	(202)	-	(202)
Exchange differences	238	(213)	89	(309)
Operating cash flows before changes in working capital	(495)	1,104	(1,287)	2,441
Decrease/(increase) in inventories	60	(667)	2,731	30
(Increase)/decrease in trade debtors, other debtors, contract assets, prepayments and amount due from a law firm	(5,107)	2,175	(1,051)	3,589
Decrease/(increase) in trade creditors, contract liabilities, other liabilities and accruals	2,208	(6,067)	(2,474)	(6,902)
Payment to a former director in relation to termination of service agreement	-	-	(296)	-
Cash flows used in operations	(3,334)	(3,455)	(2,377)	(842)
Interest paid	(213)	(48)	(417)	(134)
Interest received	39	11	72	19
Tax paid	(48)	(45)	(134)	(178)
Net cash flows used in operating activities	(3,556)	(3,537)	(2,856)	(1,135)
Cash flows from investing activities:				
Net cash outflow on acquisition a subsidiary	-	(29,002)	-	(29,002)
Proceeds from disposal of property, plant and equipment	570	203	670	203
Proceeds from disposal of intangible assets	-	90	-	151
Purchase of property, plant and equipment	(1,286)	(1,189)	(2,762)	(2,108)
Prepayment for purchase of land	(525)	-	(1,658)	-
Dividend receipt from other investments	217	187	217	187
Net cash inflow on disposal of a subsidiary	-	23,000	-	20,083
Net cash flows used in investing activities	(1,024)	(6,711)	(3,533)	(10,486)
Cash flows from financing activities:				
Dividend paid on ordinary shares	-	(135)	-	(135)
Repayment of lease liabilities	(244)	-	(484)	-
Net decrease in hire purchase creditors	-	(2)	-	(4)
Increase in amount due to non-controlling shareholder	48	-	135	-
Drawdown of bank borrowings	3,091	1,642	5,790	3,157
Repayment of bank borrowings	(2,726)	(1,607)	(5,984)	(3,869)
Net decrease/(increase) in fixed deposit	712	(417)	2,488	(478)
Net cash flows generated from/(used in) financing activities	881	(519)	1,945	(1,329)
Net decrease in cash and cash equivalents	(3,699)	(10,767)	(4,444)	(12,950)
Cash and cash equivalents at beginning of financial period (Note A)	8,270	57,501	9,016	59,618
Effects of exchange rates on opening cash and cash equivalents	(1)	63	(2)	129
Cash and cash equivalents at end of financial period	4,570	46,797	4,570	46,797

Note A:

As at 31 December 2018, cash of S\$33.45 million and S\$1.09 million were held in trust and/or in escrow by a Singapore law firm, JLC Advisors LLP ("JLC") for the Company and its subsidiary, Asia Box Office Pte. Ltd. ("ABO") respectively. On 9 January 2019, the Company authorised JLC to make payment of \$0.30 million to a former director of the Company for termination of his service agreement. On 2 April 2019, the Group received fund placed by ABO in trust with JLC in full \$1.09 million, after ABO's request to withdraw the funds held in trust with JLC on 23 March 2019. Consequently, the remaining balance held in escrow by JLC is \$33.15 million ("Escrow Funds"). The Company had made repeated demands for repayment of the Escrow Funds from JLC since 23 March 2019. On 17 May 2019, the Company's legal counsel issued a letter of demand to JLC to release the Escrow Funds to the Company. As there have been alleged unauthorised payments of such Escrow Funds and on-going investigation by various authorities, the Group and the Company have classified the cash of S\$33.15 million (2018: S\$34.54 million) and S\$33.15 million (2018: S\$33.45 million) as amount due from a law firm respectively as at 30 June 2019 instead of cash and cash equivalents as the Company is currently taking all steps necessary to recover the Escrow Funds from JLC ("JLC Issue").

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 period.

GROUP

	Ordinary shares S\$'000	Foreign currency translation reserve S\$'000	Statutory reserve fund S\$'000	Other reserves S\$'000	Fair value adjustment reserve S\$'000	Retained earnings/ (accumulated losses) S\$'000	Reserves of disposal group classified as held for sale S\$'000	Total equity attributable to owners of the Company S\$'000	Non- controlling interests S\$'000	Total equity S\$'000
1H2019										
Balance as at 1 January 2019	115,898	986	131	189	(245)	(21,692)	-	95,267	(292)	94,975
Cumulative effects of adopting SFRS(I)16	-	-	-	-	-	(66)	-	(66)	-	(66)
Loss for the period	-	-	-	-	-	(1,714)	-	(1,714)	(149)	(1,863)
<i>Other comprehensive income:</i>										
Foreign currency translation	-	80	-	-	-	-	-	80	(6)	74
Balance as at 31 March 2019	115,898	1,066	131	189	(245)	(23,472)	-	93,567	(447)	93,120
Loss for the period	-	-	-	-	-	(1,830)	-	(1,830)	(165)	(1,995)
<i>Other comprehensive income:</i>										
Foreign currency translation	-	(12)	-	-	-	-	-	(12)	2	(10)
Balance as at 30 June 2019	115,898	1,054	131	189	(245)	(25,302)	-	91,725	(610)	91,115
1H2018										
Balance as at 1 January 2018	90,738	872	16	189	-	6,319	1,647	99,781	-	99,781
Profit for the period	-	-	-	-	-	516	-	516	-	516
<i>Other comprehensive income:</i>										
Foreign currency translation	-	742	-	-	-	-	-	742	-	742
Transfer of reserve attributable to disposal group classified as held for sale upon disposal of a subsidiary	-	(291)	-	-	-	2,035	(1,647)	97	-	97
Balance as at 31 March 2018	90,738	1,323	16	189	-	8,870	-	101,136	-	101,136
Profit for the period	-	-	-	-	-	635	-	635	424	1,059
<i>Other comprehensive income:</i>										
Foreign currency translation	-	(151)	-	-	-	-	-	(151)	26	(125)
Transfer to statutory reserve fund	-	-	143	-	-	(143)	-	-	-	-
Dividend paid during the period	-	-	-	-	-	(135)	-	(135)	-	(135)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	(396)	(396)
Balance as at 30 June 2018	90,738	1,172	159	189	-	9,227	-	101,485	54	101,539

- 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 period (cont'd).

COMPANY

	Ordinary shares S\$'000	Other reserves S\$'000	Retained earnings/ (accumulated losses) S\$'000	Total equity attributable to owners of the Company S\$'000
1H2019				
Balance as at 1 January 2019	115,898	189	(24,119) 	91,968
Total comprehensive income for the period	-	-	(366)	(366)
Balance as at 31 March 2019	115,898	189	(24,485)	91,602
Total comprehensive income for the period	-	-	(945)	(945)
Balance as at 30 June 2019	115,898	189	(25,430)	90,657
1H2018				
Balance as at 1 January 2018	90,738	189	8,090	99,017
Total comprehensive income for the period	-	-	(344)	(344)
Balance as at 31 March 2018	90,738	189	7,746	98,673
Total comprehensive income for the period	-	-	(476)	(476)
Dividend paid during the year	-	-	(135)	(135)
Balance as at 30 June 2018	90,738	189	7,135	98,062

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.

	No. of ordinary shares '000	Amount S\$'000
As at 30.06.2019 and 31.12.2018	1,770,329	115,898

As at 30 June 2019 and 31 December 2018, the Company did not have any outstanding convertibles, treasury shares or subsidiary holdings.

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.

	30.06.2019	31.12.2018
Total number of issued shares ('000) (excluding treasury shares)	1,770,329	1,770,329

There were no treasury shares as at 30 June 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.

Not applicable as the Company did not have any treasury shares as at 30 June 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 the Company did not hold any subsidiary holdings as at 30 June 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 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 disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period as compared to those applied in the audited financial statements for the financial year ended 31 December 2018 and new and amended Singapore Financial Reporting Standards (International) ("**SFRS(I)**") which became effective on or after 1 January 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.

Except for SFRS(I) 16 *Leases*, the adoption of the new and amended standards does not have material impact on the financial statements.

SFRS(I) 16 *Leases*

SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. The Group has adopted SFRS (I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings as the date of initial application, 1 January 2019. The Group measures the right-of-use assets at their carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019, except for leases of 'low value' assets and short-term leases.

The adoption of SFRS(I) 16 resulted in the following adjustments to the balance sheet of the Group as at 1 January 2019:

Balance sheet item	S\$'000
Right-of-use assets	2,568
Property, plant and equipment	(42)
Prepayments	(4)
Lease liabilities	2,588
Opening retained earnings	(66)

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		GROUP	
	3 months ended		6 months ended	
	<u>2Q2019</u>	<u>2Q2018</u>	<u>1H2019</u>	<u>1H2018</u>
(Loss)/earnings (S\$'000)				
Attributable to the owners of the Company				
(Loss)/profit from continuing operations, net of tax	(1,830)	635	(3,544)	1,151
(Loss)/profit for the period	(1,830)	635	(3,544)	1,248
(Loss)/earnings per share from continuing operations (cents)				
- Basic and diluted	(0.10)	0.05	(0.20)	0.09
(Loss)/earnings per share (cents)				
- Basic and diluted	(0.10)	0.05	(0.20)	0.09
Weighted average number of ordinary shares ('000)	1,770,329	1,350,329	1,770,329	1,350,329

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 financial period reported on and (b) immediately preceding financial year.

	Group		Company	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Net asset value per ordinary share based on issued share capital at end of the period (in cents)	5.15	5.36	5.12	5.19
Net asset value as at end of period (S\$'000)	91,115	94,975	90,657	91,968
No. of ordinary shares ('000)	1,770,329	1,770,329	1,770,329	1,770,329

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 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

a. Revenue

Continuing operations

The Group's revenue has decreased by 21% and 15% to S\$31.15 million in 2Q2019 and S\$56.51 million in 1H2019 as compared to S\$39.41 million in 2Q2018 and S\$66.17 million in 1H2018 respectively. The decrease is mainly due to the absence of event revenue from e-commerce segment during the period. The decrease in revenue is partially offset by the increase in revenue of S\$4.49 million contributed by the precision metal stamping segment.

The Company ceased to generate revenue since 4Q2018 due to the change of its principal business activity to that of investment holding company, as a result of the Group's internal restructuring to streamline the subsidiaries into two business segments, namely precision metal stamping and e-commerce.

Precision metal stamping

The Company's subsidiary located in Singapore reported revenue of S\$0.57 million in 2Q2019 and \$0.64 million in 1H2019 as compared to 2Q2018 of S\$0.48 million and 1H2018 of S\$0.64 million respectively. The increase in 2Q2019 is mainly due to higher tooling sales recognised during the period.

Its subsidiaries located in Malaysia reported an increase in revenue of S\$0.90 million and a decrease in revenue of S\$1.42 million in 2Q2019 and 1H2019 respectively. The increase in revenue from S\$10.11 million in 2Q2018 to S\$11.01 million in 2Q2019 is mainly due to sales arising from new projects. The decrease in revenue from S\$20.51 million in 1H2018 to S\$19.09 million in 1H2019 is mainly due to lower demand of an existing project from a major customer for which the increase in sales from new projects in 2Q2019 is unable to make up for the shortfall in revenue.

The subsidiary located in Vietnam reported higher revenue of S\$17.25 million in 2Q2019 and S\$32.55 million in 1H2019 as compared to S\$13.52 million in 1Q2018 and S\$27.62 million in 1H2018 respectively due to new projects awarded by customers.

The subsidiary located in Thailand recorded higher revenue of S\$2.26 million in 2Q2019 and S\$4.11 million in 1H2019 as compared to that of S\$1.62 million in 2Q2018 and S\$3.12 million in 1H2018 respectively mainly due to more orders received from its existing customers.

E-commerce

E-commerce segment reported revenue of S\$0.05 million in 2Q2019 and S\$0.11 million in 1H2019 as compared to S\$13.47 million in both 2Q2018 and 1H2018 respectively. The acquisitions of the e-commerce subsidiaries, namely Asia Box Office Pte. Ltd. and its subsidiary, Asia Box Office (HK) Limited (collectively, “**ABO Group**”) and Activpass Holdings Pte. Ltd. (“**Activpass**”), were completed in April 2018 and July 2018 respectively, henceforth, no comparative is available for Activpass. The decrease in revenue is mainly due to absence of event revenue.

ABO Group did not record revenue in 2Q2019 and 1H2019 as it is facing challenges in securing contracts in light of the matters as announced on 8 May 2019 as compared to revenue of S\$13.47 million reported in both 2Q2018 and 1H2018.

Activpass recorded revenue of S\$0.05 million in 2Q2019 and S\$0.11 million in 1H2019 respectively which is mainly derived from subscription revenue, commission revenue, software hosting and maintenance revenue, software development revenue and cash and media sponsorship.

b. Operating results

Continuing operations

The Group recorded loss before tax (“**LBT**”) of S\$1.91 million in 2Q2019 and LBT of S\$3.72 million in 1H2019 as compared to profit before tax (“**PBT**”) of S\$1.10 million in 2Q2018 and PBT of S\$1.67 million respectively. The LBT is mainly contributed by the Company and the subsidiaries located in Malaysia.

Corporate

The Company reported LBT of S\$0.95 million in 2Q2019 and LBT of S\$1.31 million in 1H2019. The increase in LBT is mainly due to increase in general and administrative expenses arising from increase in headcount from March 2019 and professional fees i.e. special audit and legal fee due to issues faced by the Company and the Group as announced on 8 May 2019 and the JLC issue.

Precision metal stamping

Precision metal stamping segment reported LBT of S\$0.61 million in 2Q2019 and LBT of S\$1.76 million as compared to PBT of S\$0.24 million in 2Q2018 and S\$0.81 million in 1H2018 respectively. The LBT in 2Q2019 and 1H2019 is mainly due to rising cost of revenue which includes, amongst others, material cost, labour cost, sub-contractor cost and overhead, which resulted in eroding profit margin for the precision metal stamping segment.

E-commerce

ABO Group reported LBT of S\$0.11 million in 2Q2019 and LBT of \$0.19 million in 1H2019 as compared to PBT of S\$0.87 million in both 2Q2018 and 1H2018 respectively. This is mainly due to the absence of event revenue as highlighted in the earlier section on revenue analysis.

Activpass reported LBT of S\$0.24 million in 2Q2019 and LBT of S\$0.46 million as it is unable to generate sufficient profit to meet its operations cost such as payroll related cost as a result of delay in funding and execution of marketing plans locally and overseas to acquire new users and vendors to join its platform.

Cost of revenue

Cost of revenue (“**COR**”) consists of material cost, labour cost, sub-contractor cost and overhead and procurement cost of e-commerce services. The COR in 2Q2019 and 1H2019 decreased by 19% and 10% as compared to 2Q2018 and 1H2018 from S\$36.51 million and S\$61.07 million to S\$29.76 and S\$54.70

million respectively. The decrease in COR is in tandem with the decrease in revenue as a result of the absence of event cost. The decrease in COR is partially offset by the increase in COR by S\$8.11 million in 2Q2019 and S\$6.54 million in 1H2019 respectively from the precision metal stamping segment.

The increase in COR from the precision metal stamping segment is mainly due to change in material mix for the precision metal stamping segment's new products, which requires a higher percentage of raw material used, resulting in higher material cost. Other than the material cost, the increase in COR is due to higher labour cost, sub-contractor cost and overhead incurred during the period.

The higher labour and sub-contractor costs are due to the increase in headcount and manpower to meet the operational needs. The increase in overhead arose due to higher depreciation expenses as a result of additions of property, plant and equipment ("**PPE**").

Other income

Other income comprises mainly rental income, interest income, gain/(loss) on disposal of PPE, dividend income from other investments, amortisation of deferred interest income and compensation income and loss on disposal of a subsidiary.

Other income decreased from S\$0.57 million in 2Q2018 and S\$0.51 million in 1H2018 to S\$0.23 million in 2Q2019 and S\$0.50 million in 1H2019 respectively. The decrease is mainly due to the absence of investment return on amount due from the principal of an international sporting event of \$0.20 million for which the Group decided to withdraw from the investment post-acquisition of ABO and loss on disposal of a subsidiary of S\$0.10 million. The decrease in other income is offset by the increase in interest income and dividend income from other investments of S\$0.06 million and S\$0.08 million in 2Q2019 and 1H2019 respectively.

General and administrative expenses

General and administrative ("**G&A**") expenses mainly include professional fees, staff salaries, directors' fee, office expenses and foreign exchange (gain)/loss.

These expenses have increased by 42% and 44% in 2Q2019 and 1H2019 as compared to 2Q2018 and 1H2018 from S\$2.32 million to S\$3.29 million and S\$3.85 million to S\$5.55 million respectively.

The increase is mainly due to an increase in payroll related cost as a result of additional headcount for operational needs and headcount from e-commerce segment, comprising ABO Group and Activpass which were acquired in April 2018 and July 2018 respectively. Other than payroll related cost, the increase in G&A expenses is also due to legal and professional fees incurred by the Company as highlighted in the foregoing paragraph 8(b) under the sub-heading "Corporate".

Finance costs

Finance costs have increased by S\$0.19 million in 2Q2019 and S\$0.40 million in 1H2019 respectively. The increase is due to the increase in bank borrowings by the Group in 2Q2019 and 1H2019 of S\$10.37 million as compared to 2Q2018 and 1H2018 of S\$4.54 million.

Discontinued operation

Discontinued operation relates to the results of the Company's former subsidiary, Allied Technologies (Suzhou) Co, Ltd ("**ATSU**"), which was disposed of with effect from January 2018. Hence, no comparative is available for analysis.

c. Balance Sheet

Group

As at 30 June 2019, intangible assets of S\$24.06 million relate to (i) goodwill arising from the acquisitions of ABO Group and Activpass (ii) contractual customer relationships arising from existing contracts in force with Activpass and (iii) corporate contract arising from a material corporate contract with a fixed fee in force with Activpass that were acquired in a business combination in July 2018. The decrease of \$0.02 million is mainly due to the amortisation charged during the period.

The increase in PPE from S\$24.08 million as at 31 December 2018 to S\$24.23 million as at 30 June 2019 is mainly due to additions in PPE of S\$2.76 million, which is offset by the depreciation charged of \$1.75 million, disposal of PPE with net book value of S\$0.61 million and currency alignment of S\$0.22 million during the period.

The Group has 50% interest in the ownership and voting rights in a joint venture (“JV”), ABO Labs Pte. Ltd. that is held by ABO, amounting to S\$50. This JV is incorporated in Singapore and its principal business activities are software consultancy and development of other software and programming activities with its main focus to develop a proprietary e-commerce ticketing system. The Group jointly controls the venture with other partner under the contractual agreement. The JV did not generate any revenue during the period. The Group has stopped recognising its share of loss and recorded its investment at \$Nil as at 30 June 2019 and 31 December 2018.

Right-of-use assets of S\$2.11 million as at 30 June 2019 relate to assets that represents the Group’s right to use underlying assets for the lease term, which arise from the adoption of SFRS(I) 16 *Leases* as disclosed in section 5 of the announcement.

Other investments of S\$1.96 million as at 30 June 2019 and 31 December 2018 relate to the unquoted shares of 3.85% interest in a Taiwanese company which is in the electronics components industry.

Prepayments recorded under non-current assets of S\$3.69 million as at 30 June 2019 and S\$2.06 million as at 31 December 2018 relate to the prepayments by one of the subsidiaries located in Malaysia to a third party to acquire a freehold land for metal stamping operations.

Inventories decreased from S\$15.05 million as at 31 December 2018 to S\$12.18 million in 30 June 2019 due to sale of finished goods during the period.

Trade debtors increased from S\$21.30 million as at 31 December 2018 to S\$23.49 million which is mainly derived from the precision metal stamping segment. The increase in trade debtors is in line with the surge in revenue arising from the precision metal stamping segment during the period.

Other debtors decreased from S\$6.37 million as at 31 December 2018 to S\$5.81 million as at 30 June 2019. The decrease is mainly due to (i) full repayment of S\$0.35 million between 28 January 2019 to 15 March 2019 in relation to a revolving loan extended to an event financier pursuant to an interest-free revolving loan facility on 1 October 2018 (ii) partial repayment of S\$0.10 million between 28 March 2019 and 30 June 2019 of an outstanding deposit for a cancelled concert of S\$1.70 million pursuant to a financing agreement dated 8 June 2018 from an event financier and (iii) VAT receivable of S\$0.46 million. The decrease is offset by the increase in deposits and sundry debtors of S\$0.34 million.

Contract assets relate to billings from subcontractor for services rendered for construction of tooling as a result of the adoption of SFRS (I) 15 *Revenue from Contracts with Customers* in FY2018.

Prepayments and advances to suppliers recorded under current assets of S\$0.76 million as at 30 June 2019 and S\$0.60 million as at 31 December 2018 are mainly due to the downpayment and prepayments made to suppliers to purchase materials and machineries.

Amount due from a law firm relates to cash of \$33.15 million as at 30 June 2019 and \$34.54 million as at 31 December 2018 respectively which were held in trust and/or in escrow by JLC as disclosed in Note 1(c) of the announcement.

Trade creditors decreased from S\$29.05 million as at 31 December 2018 to S\$26.52 million as at 30 June 2019 mainly due to payments made during the period.

Contract liabilities relates to advanced billings to customers for tooling sales as a result of the adoption of SFRS(I) 15 *Revenue from Contracts with Customers* in FY2018.

Lease liabilities (current and non-current) of S\$2.16 million as at 30 June 2019 relate to the Group's liabilities to make lease payments during the lease term, which arise from the adoption of SFRS(I) 16 *Leases* as disclosed in section 5 of the announcement.

Other creditors and accruals decreased to S\$6.62 million as at 30 June 2019 from S\$8.07 million as at 31 December 2018 mainly due to payments made to sundry creditors i.e. non-trade suppliers, including suppliers for purchase of property, plant and equipment and provision of professional and legal services and settlement of accrued operating expenses.

Amount due to a former director relates to the compensation payable to a former director of the Company arising from the termination of service agreement with the director. The decrease from S\$1.48 million as at 31 December 2018 to S\$1.18 million as at 30 June 2019 is due to repayment of \$0.30 million made during the period.

Amount due to a non-controlling shareholder of a subsidiary relates to advances from the 49% non-controlling shareholder of Activpass to fund the operations of Activpass and director's fee and allowance payable to the same non-controlling shareholder, who is also one of the directors of Activpass.

Loans and borrowings (current and non-current) decreased from S\$10.66 million as at 31 December 2018 to S\$10.37 million. This is mainly repayment of bank borrowings of S\$5.98 million which is offset by drawdown of bank borrowings of S\$5.79 million during the period.

Deferred tax liabilities mainly relate to temporary differences between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, which include, amongst others, differences in depreciation and amortisation, fair value adjustments on acquisition of subsidiaries and unabsorbed capital allowances.

Equity attributable to owners of the Company has decreased from S\$95.27 million as at 31 December 2018 to S\$91.73 million as at 30 June 2019. The decrease is mainly due to loss for the financial period of S\$3.54 million.

Company

The increase in investment in subsidiaries from S\$53.08 million as at 31 December 2018 to S\$55.58 million as at 30 June 2019 is mainly due to the partial capitalisation of S\$2.50 million owed by one of the subsidiaries in the precision metal stamping segment by way of allotment of 2.50 million ordinary shares to the Company.

The decrease in loan receivables from subsidiaries from S\$7.33 million as at 31 December 2018 to S\$4.11 million as at 30 June 2019 is due to the reason mentioned in the foregoing paragraph and repayments made by the subsidiaries during the period.

d. Consolidated Cash Flow Statement

The Group recorded net cash flows used in operating activities of S\$3.56 million in 2Q2019 and S\$2.86 million in 1H2019 as compared to net cash flows used in operating activities of S\$3.54 million in 2Q2018

and S\$1.14 million in 1H2018 respectively. The increase in net cash flows used in operating activities is mainly due to loss reported, increase in trade debtors arising from the precision metal stamping segment and repayments made to trade and other creditors during the period.

The Group recorded net cash used in investing activities of S\$1.02 million in 2Q2019 and S\$3.53 million in 1H2019 as compared to S\$6.71 million in 2Q2018 and S\$10.49 million in 1H2018 respectively. The decrease is mainly due to absence of net cash outflow on acquisition of a subsidiary of S\$29.00 million as the Group did not engage in any acquisition during the period, which is offset by net cash inflow on disposal of a subsidiary of S\$20.08 million as the Group did not engage in any disposal during the period and increase in cash used in the purchase of property, plant and equipment of S\$0.10 million in 2Q2019 and S\$0.65 million in 1H2019 and prepayment for purchase of land of S\$0.53 million in 2Q2019 and S\$1.66 million in 1H2019 respectively for the Group's operations.

The Group recorded net cash flows generated from financing activities of S\$0.88 million in 2Q2019 and S\$1.95 million as compared to net cash flows used in financing activities of S\$0.52 million in 2Q2018 and S\$1.33 million in 1H2018. The net cash flows generated from financing activities is mainly due to withdrawal of fixed deposits for operation use of S\$0.71 million in 2Q2019 and S\$2.49 million in 1H2019 respectively.

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 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.

The business environment within the next 12 months is expected to remain challenging for the Group in light of the weak global economic outlook and the JLC issue as disclosed in Note 1(c) of the announcement. Besides streamlining its operations, the Group is also exploring possible avenues for business opportunities in both its precision metal stamping and e-commerce business segments. The Group will review and assess its existing business strategies and overall financial performance of the Group concurrently and carry out reorganisation and restructuring of the Group as and when appropriate.

The Group is also working towards completing the special audit, and resolving the audit issues highlighted by our auditor as announced on 8 May 2019. The Company is also taking all steps necessary to recover the Escrow Funds placed with JLC. The Company's current response to the JLC Issue has also been highlighted in the Company's announcement dated 30 July 2019. Notwithstanding the foregoing, the Group will continue to engage and maintain good relationships with the stakeholders of the Group and provide assurance to these stakeholders that business is as usual for the Group.

11 Dividend

(a) Whether an interim (final) ordinary dividend has been declared or recommended

None.

(b) (i) Amount per share

Not applicable.

(i) Previous corresponding period

None.

- (c) **Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

- (d) **Date payable**

Not applicable.

- (e) **Books closure date**

Not applicable.

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

No dividend for the period ended 30 June 2019 has been declared or recommended.

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 has not obtained a general mandate from shareholders for interested person transactions.

14 Negative confirmation by the Board pursuant to Rule 705(5)

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements of the Group and the Company for the second quarter and half-year ended 30 June 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 7H) 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 7H of the Catalist Rules) under Rule 720(1) of the Catalist Rules.

16 Use of proceeds

On 31 October 2017, the Company completed the issuance of 675,164,460 ordinary shares via placement and raised net proceeds of S\$33.40 million ("**Net Proceeds**").

On 4 April 2018, the Company announced the completion of acquisition of 51% of the entire issued and fully paid-up capital of ABO Group ("**ABO Acquisition**"). Consideration sum of S\$30.00 million and the ABO Acquisition related transaction costs of S\$0.15 million had been paid to professional parties.

The table below reflected the status on the use of Net Proceeds as at the date of announcement:

Use of Net Proceeds		<u>Allocation of Net Proceeds</u> S\$ 'million	<u>Net Proceeds utilised as at the date of announcement</u> S\$ 'million	<u>Balance of Net Proceeds as at the date of announcement</u> S\$ 'million
(i)	Business expansion through acquisitions, joint ventures and collaborations and funding needs of such business expansion	30.06	(30.06)	-
(ii)	General working capital purposes	3.34	(0.09)	3.25
		33.40	(30.15)	3.25

The balance of net proceeds is held with JLC as part of the Escrow Funds pending recovery from JLC as disclosed in Note 1(c) of the announcement.

ON BEHALF OF THE BOARD

Leow Wee Kia Clement
Chief Executive Officer and Executive Director

13 August 2019

This announcement has been reviewed by the Company's sponsor, Stamford Corporate Services Pte Ltd (the "Sponsor"). It 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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