

Unaudited First Quarter Financial Statement And Related Announcement for the Quarter Ended 31 MARCH 2019

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF Q1 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.

1(a)(i) **CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTERS ENDED 31 MARCH 2019 AND 31 MARCH 2018**

Consolidated Income Statement

	Group 1Q2019	Group 1Q2018	Increase/ (Decrease)
	US\$'000	US\$'000	%
Revenue	239,794	272,822	(12.1%)
Cost of sales	(225,564)	(257,394)	(12.4%)
Gross profit	14,230	15,428	(7.8%)
Other income	335	146	129.5%
Sales and distribution expenses	(7,765)	(7,862)	(1.2%)
General and administrative expenses	(3,778)	(4,413)	(14.4%)
Impairment losses on financial assets	(100)	(67)	49.3%
Interest expense	(1,713)	(1,494)	14.7%
Profit before taxation	1,209	1,738	(30.4%)
Income tax expense	(203)	(275)	(26.2%)
Profit after taxation	1,006	1,463	(31.2%)

Profit attributable to:-			
Equity holders of the Company	1,006	1,463	(31.2%)

- 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 (Cont'd).

1(a)(i) **CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTERS ENDED 31 MARCH 2019 AND 31 MARCH 2018 (CONT'D)**

Consolidated Statement of Other Comprehensive Income

	Group 1Q2019	Group 1Q2018	Increase/ (Decrease)
	US\$'000	US\$'000	%
Profit after taxation	1,006	1,463	(31.2%)
Other comprehensive income:-			
Item that will not be reclassified subsequently to profit or loss:-			
Net fair value changes on equity instrument at fair value through other comprehensive income	126	148	(14.9%)
Items that may be reclassified subsequently to profit or loss:-			
Foreign currency translation	(23)	(16)	43.8%
Other comprehensive income for the period	103	132	(22.0%)
Total comprehensive income for the period	1,109	1,595	(30.5%)
Total comprehensive income attributable to:-			
Equity holders of the Company	1,109	1,595	(30.5%)

1(a)(ii) **NOTES TO THE CONSOLIDATED INCOME AND STATEMENT OF COMPREHENSIVE INCOME**

Notes to the consolidated income and statement of comprehensive income	Group 1Q2019	Group 1Q2018
	US\$'000	US\$'000
Interest income	11	6
Interest on borrowings	(1,648)	(1,494)
Interest on lease liabilities	(65)	–
Impairment losses on trade receivables	(100)	(67)
Bad debt written back	108	–
Reversal of stocks written down	706	396
Stocks written down/ off	(435)	(772)
Net gain on disposal of property, plant and equipment	55	–
Depreciation of property, plant and equipment	(389)	(299)
Depreciation of right-of-use assets	(710)	–
Net foreign exchange gain	199	976
Net fair value change on derivatives	(16)	–

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.

STATEMENT OF FINANCIAL POSITION	Group 31/03/2019 (Unaudited)	Group 31/12/2018 (Audited)	Company 31/03/2019 (Unaudited)	Company 31/12/2018 (Audited)
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Property, plant and equipment	3,814	3,411	–	–
Right-of-use assets	5,646	–	–	–
Intangible assets	752	752	–	–
Investments in subsidiaries	–	–	25,878	25,878
Other investments	2,544	2,418	2,324	2,198
Deferred tax assets	–	142	–	–
Total non-current assets	12,756	6,723	28,202	28,076
Current assets				
Trade and other debtors	178,544	191,521	3	–
Prepayments	524	455	21	2
Stocks	147,969	164,422	–	–
Amounts due from subsidiaries	–	–	12,749	13,555
Derivatives	344	386	–	–
Cash and short-term deposits	24,443	20,571	2,382	1,484
Total current assets	351,824	377,355	15,155	15,041
Current liabilities				
Trade and other creditors	(132,152)	(150,765)	(1,584)	(1,522)
Contract liabilities	(3,960)	(4,037)	–	–
Interest-bearing loans and borrowings	(141,468)	(148,947)	–	–
Lease liabilities	(2,839)	–	–	–
Provision for taxation	(2,277)	(2,459)	(142)	(134)
Total current liabilities	(282,696)	(306,208)	(1,726)	(1,656)
Net current assets	69,128	71,147	13,429	13,385
Non-current liability				
Lease liabilities	(2,905)	–	–	–
Total non-current liability	(2,905)	–	–	–
Net assets	78,979	77,870	41,631	41,461
Equity attributable to equity holders of the Company				
Share capital	38,859	38,859	38,859	38,859
Reserves	40,120	39,011	2,772	2,602
	78,979	77,870	41,631	41,461

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

Amount repayable in one year or less, or on demand

At 31/03/2019 (US\$'000)		At 31/12/2018 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
–	141,468	–	148,947

Amount repayable after one year, or on demand

At 31/03/2019 (US\$'000)		At 31/12/2018 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
–	–	–	–

Details of any collateral

There is no collateral on the Group's interest-bearing loans and borrowings as at 31 March 2019.

As at 31 March 2019, the Company has provided corporate guarantees to banks in connection with credit facilities provided to its subsidiaries, of which US\$141,468,000 (31 December 2018: US\$148,947,000) of the credit facilities have been utilised.

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 1Q2019	Group 1Q2018
	US\$'000	US\$'000
Operating activities		
Profit before taxation	1,209	1,738
Adjustments for:-		
Interest income	(11)	(6)
Interest expense	1,713	1,494
Depreciation of property, plant and equipment	389	299
Depreciation of right-of-use assets	710	–
Net gain on disposal of property, plant and equipment	(55)	–
Impairment losses on trade debtors	100	67
(Reversal of stocks written down)/ stocks written down	(271)	376
Net fair value changes on derivatives	16	–
Operating cash flows before changes in working capital	3,800	3,968
Decrease/ (increase) in stocks	16,724	(46,795)
Decrease in trade and other debtors and prepayments	12,816	8,130
(Decrease)/ increase in trade and other creditors and contract liabilities	(18,690)	30,603
Cash flows generated from/ (used in) operations	14,650	(4,094)
Interest received	11	6
Interest paid	(1,713)	(1,494)
Income tax paid	(243)	(378)
Net cash flows generated from/ (used in) operating activities	12,705	(5,960)
Investing activities		
Purchase of property, plant and equipment	(791)	(1,205)
Proceed from disposal of property, plant and equipment	55	–
Proceed from derivatives	18	–
Net cash flows used in investing activities	(718)	(1,205)
Financing activities		
(Decrease)/ increase in interest-bearing loans and borrowings	(7,479)	7,038
Repayment of lease liabilities	(613)	–
Net cash flows (used in)/ generated from financing activities	(8,092)	7,038
Net increase/ (decrease) in cash and cash equivalents	3,895	(127)
Effects of exchange rate changes on cash and cash equivalents	(23)	(12)
Cash and cash equivalents at beginning of period	20,571	9,979
Cash and cash equivalents at end of period	24,443	9,840

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.

Group	Attributable to equity holders of the Company							
	Equity, total US\$'000	Share capital US\$'000	Reserves, total US\$'000	Other reserve US\$'000	Fair value reserve US\$'000	Statutory reserve US\$'000	Foreign currency translation reserve US\$'000	Revenue reserve US\$'000
1Q2019								
Opening balance at 1 January 2019	77,870	38,859	39,011	227	602	25	(21)	38,178
Profit for the period	1,006	–	1,006	–	–	–	–	1,006
Other comprehensive income for the period	103	–	103	–	126	–	(23)	–
Total comprehensive income for the period	1,109	–	1,109	–	126	–	(23)	1,006
Closing balance at 31 March 2019	78,979	38,859	40,120	227	728	25	(44)	39,184
1Q2018								
Opening balance at 1 January 2018	73,718	38,553	35,165	227	804	25	6	34,103
Profit for the period	1,463	–	1,463	–	–	–	–	1,463
Other comprehensive income for the period	132	–	132	–	148	–	(16)	–
Total comprehensive income for the period	1,595	–	1,595	–	148	–	(16)	1,463
Closing balance at 31 March 2018	75,313	38,553	36,760	227	952	25	(10)	35,566

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 (Cont'd).

Company	Attributable to equity holders of the Company					
	Equity, total US\$'000	Share capital US\$'000	Reserves, total US\$'000	Other reserve US\$'000	Fair value reserve US\$'000	Revenue reserve US\$'000
1Q2019						
Opening balance at 1 January 2019	41,461	38,859	2,602	227	602	1,773
Profit for the period	44	–	44	–	–	44
Other comprehensive income for the period	126	–	126	–	126	–
Total comprehensive income for the period	170	–	170	–	126	44
Closing balance at 31 March 2019	41,631	38,859	2,772	227	728	1,817
1Q2018						
Opening balance at 1 January 2018	41,316	38,553	2,763	227	804	1,732
Loss for the period	(41)	–	(41)	–	–	(41)
Other comprehensive income for the period	148	–	148	–	148	–
Total comprehensive income for the period	107	–	107	–	148	(41)
Closing balance at 31 March 2018	41,423	38,553	2,870	227	952	1,691

- 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.**

	1Q2019		1Q2018	
	No. of shares	US\$'000	No. of shares	US\$'000
<u>Issued share capital</u>				
At beginning and end of financial period	119,192,840	38,859	118,502,940	38,553

- 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 31 March 2019 is 119,192,840 (31 December 2018: 119,192,840). There were no treasury shares as at 31 March 2019 (31 December 2018: nil).

- 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.**

There were no sales, transfers, cancellation and/or use of treasury share during 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.**

There were no subsidiary holdings during the current financial period reported on.

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

The figures have not been audited or reviewed by our auditors.

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

Not applicable ("N.A.").

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group's accounting policies adopted are consistent with those disclosed in the FY2018 audited financial statements except that in the current financial period, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning 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.

The adoption of the new and revised standards did not have material effect on the financial position or financial performance of the Group, except for the SFRS(I) 16 *Leases* as described below.

SFRS(I) 16 – Leases

The Group recognised right-of-use assets and leases liabilities of US\$6,353,000 respectively for its leases previously classified as operating leases at the date of initial application, 1 January 2019, without restating prior period's information.

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	
	1Q2019	1Q2018
Basic and diluted earnings per share (US cent)	0.84	1.23
Weighted average number of ordinary shares	119,192,840	118,502,940

The basic and diluted earnings per share of the Group were the same, as there were no share options and warrants granted.

7. Net asset value (for the issuer and Group) per ordinary share based on the total number of issued share excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	31/03/2019	31/12/2018	31/03/2019	31/12/2018
Net asset value per ordinary share based on existing issued share capital as at end of period reported on (US cents)	66.26	65.33	34.93	34.78
Number of ordinary shares, excluding treasury shares	119,192,840	119,192,840	119,192,840	119,192,840

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.**

COMPARING 1Q2019 TO 1Q2018

INCOME STATEMENT

The Group's revenue decreased by 12.1% from US\$272.8 million to US\$239.8 million and gross profit decreased by 7.8% from US\$15.4 million to US\$14.2 million, mainly due to lower sales from the Singapore and Hong Kong business units. However, gross margin improved by 0.2% from 5.7% to 5.9% due to change in product mix.

Other income increased by 129.5% from \$0.1 million to \$0.3 million mainly due to non-recurring engineering income.

Sales and distribution costs decreased by 1.2% from US\$7.9 million to US\$7.8 million, and general and administrative expense decreased by 14.4% from US\$4.4 million to US\$3.8 million. These were mainly due to lower staff cost and was partially offset by lower net foreign exchange gain in 1Q2019 arising from the translation of balances denominated in foreign currency into functional currency.

Interest expense increased by 14.7% from US\$1.5 million to US\$1.7 million, due to higher financing cost from the hikes in interest rates.

Overall, the Group reported profit after taxation of US\$1.0 million for 1Q2019.

CASHFLOW AND FINANCIAL POSITION

The Group's net cash flows generated from operating activities was US\$12.7 million compared to net cash flows used in operating activities of US\$6.0 million in 1Q2018.

Net cash flows used in investing activities was US\$0.7 million compared to US\$1.2 million in 1Q2018. The decrease was mainly due to lower purchase of property, plant and equipment.

Net cash flows used in financing activities was US\$8.1 million compared to net cash generated from financing activities of US\$7.0 million in 1Q2018. This was mainly due to lower working capital requirement.

Cash and short-term deposits was US\$24.4 million as at 31 March 2019 as compared to US\$9.8 million as at 31 March 2018.

Non-current assets increased from US\$6.7 million to US\$12.8 million as at 31 March 2019 mainly due to the recognition of right-of-use assets upon adoption of SFRS(I) 16 on 1 January 2019.

Current assets decreased from US\$377.4 million to US\$351.8 million as at 31 March 2019 mainly due to:-

- a) decrease in stocks of US\$16.5 million due to lower purchase of stocks;
- b) decrease in trade and other debtors of US\$13.0 million due to higher collection and lower sales; and
- c) partially offset by increase in cash and short-term deposits of US\$3.9 million.

Current liabilities decreased from US\$306.2 million to US\$282.7 million as at 31 March 2019 mainly due to:-

- a) decrease in trade and other creditors of US\$18.6 million due to lower purchase of stocks;
- b) decrease in interest-bearing loans and borrowings of US\$7.5 million due to lower working capital requirement; and
- c) partially offset by increase in lease liabilities of US\$2.8 million due to recognition of lease liabilities upon adoption of SFRS(I) 16 on 1 January 2019.

Non-current liabilities of US\$2.9 million as at 31 March 2019 was due to the recognition of lease liabilities upon adoption of SFRS(I) 16 on 1 January 2019.

Overall, shareholders' equity increased from US\$77.9 million to US\$79.0 million as at 31 March 2019, mainly due to the profit for the period of US\$1.0 million and fair value changes on equity instrument of US\$0.1 million.

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

N.A. No forecast or a 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 first quarter of 2019 saw significant market volatilities, especially with the continued trade tensions, several ongoing elections in India, Thailand and Indonesia, as well as the global economic slowdown.

Despite these transitory challenges, the Group is focusing on long-term strategies through the building of our technical capabilities and forging stronger relationships with our partners. Infrastructure developments stemming from various government initiatives and the rolling out of 5G remain the key areas to drive demand for our products and services as the market stabilises. Hence, with our dedicated technical support teams in place, we are well-positioned as the preferred partner to our principals in the Asia Pacific region to harness new opportunities. To improve our margins, we are enhancing our product mix, setting new cost management measures, strengthening our credit and inventory control and improving our liquidity position.

Amidst the uncertain business environment, the Group remains vigilant and we will cautiously evaluate and pursue the opportunities in the regions we operate in to grow the business.

11. **Dividend**

- (a) **Current Financial Period Reported On**

Any dividend recommended for the current financial period reported on? **No.**

- (b) **Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year? **No.**

- (c) **Date payable**

N.A.

- (d) **Books closure date**

N.A.

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

No dividend has been declared for the current financial period reported on. Dividend, if any, will be recommended in the full year financial statement and related announcement.

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.

No IPT mandate has been obtained.

The aggregate value of all interested person transactions during the financial period ended 31 March 2019 were as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Description of the transaction entered into with the interested person during the financial year under review	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Nil	N.A.	N.A.	N.A.

14. Use of Placement Proceeds as at Date of this Announcement

The Company refers to the net proceeds of approximately S\$7,825,000 raised from the placement of 15 million new ordinary shares at S\$0.525 each in the issued and paid-up share capital of the Company on 5 October 2016 (the "Net Proceeds") (as defined in the Company's announcement dated 2 September 2016).

The status on the use of the Net Proceeds is as follows:-

Intended Uses	Approximate Amount (S\$'000)	Estimated Percentage Allocation of Net Proceeds	Amount Utilised as at Date of this Announcement (S\$'000)	Balance as at Date of this Announcement (S\$'000)
Strategic Investments and Acquisitions	5,000	63.9%	(300)	4,700
Development of New Technology and Application	1,700	21.7%	(800)	900
Investments in Research and Development Expertise	1,125	14.4%	(735)	390
Total	7,825	100.0%	(1,835)	5,990

15. Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of the Company hereby confirm to the best of their knowledge that nothing has come to their attention which may render the financial statements for the first quarter ended 31 March 2019 to be false or misleading.

16. Confirmation Pursuant to Rule 720(1) of the Listing Manual

The Company 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 Listing Manual.

BY ORDER OF THE BOARD

Wong Yoen Har
Company Secretary
23 April 2019