

Half-Year Financial Results Announcement for the Period Ended 30 June 2019

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS

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

	6 months ended 30-06-19 S\$'000	6 months ended 30-06-18 S\$'000	Change %	Note
Revenue	29,655	43,001	-31%	
Cost of sales	(24,478)	(38,076)	-36%	a
Gross profit	5,177	4,925	5%	
Interest income	307	160	92%	
Other gains	275	151	82%	b
Distribution costs	(1,229)	(1,196)	3%	
Administrative expenses	(3,356)	(3,190)	5%	a
Finance costs	-	(11)	N.M.*	
Other losses	-	(18)	N.M.*	c
Share of results of equity-accounted joint ventures	110	(73)	-251%	
Profit before tax from continuing operations	1,284	748	72%	
Income tax (expense)/benefit	(196)	18	-1189%	
Profit net of tax	1,088	766	42%	
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation from functional currency to presentation currency	(307)	824	-137%	d
Share of other comprehensive income from equity-accounted joint ventures, net of tax	36	88	-59%	
Other comprehensive (loss)/income for the period, net of tax	(271)	912		
Total comprehensive income for the period	817	1,678	-51%	
Profit attributable to owners of the Company, net of tax	1,087	830	31%	
Profit/(Loss) attributable to non-controlling interests, net of tax	1	(64)	-102%	
Profit net of tax	1,088	766	42%	
Total comprehensive income attributable to owners of the Company	816	1,742	-53%	
Total comprehensive income/(loss) attributable to non-controlling interests, net of tax	1	(64)	-102%	
Total comprehensive income for the period	817	1,678	-51%	

Note:

*N.M. : Not meaningful.

Notes to Statement of Comprehensive Income

	6 months ended 30-06-19 S\$'000	6 months ended 30-06-18 S\$'000
a. Depreciation		
The total depreciation expenses charged are as follows:		
Cost of sales	(247)	(273)
Administrative expenses	<u>(284)</u>	<u>(308)</u>
	<u><u>(531)</u></u>	<u><u>(581)</u></u>
b. Other gains		
Bad debts recovered on trade receivables	-	1
Foreign exchange adjustments gains	24	-
Gain/(Loss) on disposal of plant and equipment	16	-
Government grant	63	55
Royalty income	16	-
Other income	<u>156</u>	<u>95</u>
	<u><u>275</u></u>	<u><u>151</u></u>
c. Other losses		
Foreign exchange adjustments losses	<u>-</u>	<u>(18)</u>
	<u><u>-</u></u>	<u><u>(18)</u></u>
d. Exchange differences		
Exchange differences arose mainly from the translation of financial statements of entities in the Group with US dollar functional currency to the presentation currency (i.e. Singapore dollar) at the exchange rate at the end of the financial period.		

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		
	30-06-19 S\$'000	31-12-18 S\$'000	% Change	30-06-19 S\$'000	31-12-18 S\$'000	% Change
<u>Non-current assets</u>						
Property, plant and equipment	10,993	6,833	61%	486	595	-18%
Right-of-use assets	3,583	-	N.M.*	1,433	-	N.M.*
Goodwill	409	409	N.M.*	-	-	N.M.*
Investments in subsidiaries	-	-	N.M.*	18,148	18,274	-1%
Investments in joint ventures	2,307	2,278	1%	518	522	-1%
Deferred tax assets	45	45	N.M.*	-	-	N.M.*
Other assets	633	638	-1%	-	-	N.M.*
Other financial assets	5,826	5,771	1%	5,826	5,771	1%
Total non-current assets	23,796	15,974	49%	26,411	25,162	5%
<u>Current assets</u>						
Inventories	8,638	4,466	93%	-	-	N.M.*
Trade and other receivables	8,535	9,824	-13%	3,106	4,161	-25%
Other assets	853	471	81%	27	18	50%
Cash and cash equivalents	29,950	34,535	-13%	15,209	13,058	16%
Total current assets	47,976	49,296	-3%	18,342	17,237	6%
Total assets	71,772	65,270	10%	44,753	42,399	6%
<u>Equity and liabilities</u>						
<u>Equity attributable to owners of the Company</u>						
Share capital	6,606	6,606	N.M.*	6,606	6,606	N.M.*
Retained earnings	44,325	44,061	1%	33,671	33,696	N.M.*
Other reserves	4,255	4,526	-6%	(858)	(587)	46%
Equity attributable to owners of the Company	55,186	55,193	N.M.*	39,419	39,715	-1%
Non-controlling interests	(28)	(29)	-3%	-	-	N.M.*
Total equity	55,158	55,164	N.M.*	39,419	39,715	-1%
<u>Non-current liabilities</u>						
Deferred tax liabilities	244	244	N.M.*	53	54	-2%
Loans and borrowings	4,352	1,237	252%	-	-	N.M.*
Lease liabilities	3,620	-	N.M.*	1,452	-	N.M.*
Total non-current liabilities	8,216	1,481	455%	1,505	54	2687%
<u>Current liabilities</u>						
Income tax payable	231	247	-6%	-	-	N.M.*
Loans and borrowings	97	137	-29%	-	-	N.M.*
Trade and other payables	8,070	8,241	-2%	3,829	2,630	46%
Total current liabilities	8,398	8,625	-3%	3,829	2,630	46%
Total liabilities	16,614	10,106	64%	5,334	2,684	99%
Total equity and liabilities	71,772	65,270	10%	44,753	42,399	6%

Note:

*N.M. : Not meaningful.

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

Amount repayable in one year or less, or on demand (S\$'000)

30-06-19		31-12-18	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
97	-	137	-

Amount repayable after one year (S\$'000)

30-06-19		31-12-18	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
4,352	-	1,237	-

Details of any collaterals

Secured borrowings of S\$4.4 million as at 30 June 2019 and S\$1.4 million as at 31 December 2018 relate to bank loan secured by a mortgage of the JTC lease at 18 Pioneer Sector 1.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	6 months ended 30-06-19 S\$'000	6 months ended 30-06-18 S\$'000
<u>Cash flows from operating activities</u>		
Profit before tax	1,284	748
Adjustments for:		
Interest income	(307)	(160)
Interest expense	-	11
Insurance premium charged to profit or loss	(95)	4
Depreciation of property, plant and equipment	531	581
Depreciation of right-of-use assets	174	-
Share of results of equity-accounted joint ventures, net of tax	(110)	73
Gain on disposal of property, plant and equipment	(16)	-
Operating cash flows before changes in working capital	<u>1,461</u>	<u>1,257</u>
Inventories	(4,203)	(2,398)
Trade and other receivables	1,221	1,257
Other assets	(385)	67
Trade and other payables	<u>(228)</u>	<u>(1,142)</u>
Net cash flows from operations activities	(2,134)	(959)
Income tax (paid)/refunded	<u>(212)</u>	<u>226</u>
Net cash flows used in operating activities	<u>(2,346)</u>	<u>(733)</u>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(4,720)	(475)
Proceeds from disposal of property, plant and equipment	-	9
Interest received	307	160
Dividends from joint-venture	105	131
Net cash flows used in investing activities	<u>(4,308)</u>	<u>(175)</u>
<u>Cash flows from financing activities</u>		
Dividends paid	(823)	(823)
Proceeds from loans and borrowings	3,066	-
Cash restricted in use	-	568
Repayment of finance leases	(137)	(15)
Interest paid	-	(11)
Net cash flows generated from/(used in) financing activities	<u>2,106</u>	<u>(281)</u>
Net decrease in cash and cash equivalents	(4,548)	(1,189)
Cash and cash equivalents, statement of cash flows, beginning balance	34,535	31,478
Net effect of exchange rate changes on cash and cash equivalents	(37)	(8)
Cash and cash equivalents, statement of cash flows, ending balance	<u>29,950</u>	<u>30,281</u>
Cash and cash equivalents comprise:		
Not restricted in use	29,950	30,281
Cash pledged for bank facilities	-	-
Cash at end of the year	<u>29,950</u>	<u>30,281</u>

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.

	<u>Attributable to owners of the company</u>				Non-controlling interests	Total equity
	Share capital	Retained earnings	Other reserves	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group						
Current period						
Opening balance at 1.1.19	6,606	44,061	4,526	55,193	(29)	55,164
Changes in equity						
Total comprehensive income/(loss) for the period	-	1,087	(271)	816	1	817
Dividends paid	-	(823)	-	(823)	-	(823)
Closing balance at 30.06.19	6,606	44,325	4,255	55,186	(28)	55,158
Previous period						
Opening balance at 1.1.18 as previously reported	6,606	42,951	3,905	53,462	(102)	53,360
Adoption of SFRS(I) 9	-	-	(47)	(47)	-	(47)
Opening balance at 1.1.18 as adjusted	6,606	42,951	3,858	53,415	(102)	53,313
Changes in equity						
Total comprehensive income/(loss) for the period	-	830	912	1,742	(64)	1,678
Dividends paid	-	(823)	-	(823)	-	(823)
Closing balance at 30.06.18	6,606	42,958	4,770	54,334	(166)	54,168
	Share capital	Retained earnings	Other reserves	Total equity		
	S\$'000	S\$'000	S\$'000	S\$'000		
Company						
Current period						
Opening balance at 1.1.19	6,606	33,696	(587)	39,715		
Changes in equity						
Total comprehensive income for the period	-	798	(271)	527		
Dividends paid	-	(823)	-	(823)		
Closing balance at 30.06.19	6,606	33,671	(858)	39,419		
Previous period						
Opening balance at 1.1.18 as previously reported	6,606	26,679	(1,188)	32,097		
Adoption of SFRS(I) 9	-	-	(47)	(47)		
Opening balance at 1.1.18 as adjusted	6,606	26,679	(1,235)	32,050		
Changes in equity						
Total comprehensive income for the period	-	6,464	803	7,267		
Dividends paid	-	(823)	-	(823)		
Closing balance at 30.06.18	6,606	32,320	(432)	38,494		

As at 30 June 2019, there was no movement in the Company's share capital and no share options were issued.

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 also the number of shares that may be issued on conversion of all the outstanding convertibles 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.

As at 30 June 2019, there was no movement in the company's share capital and no share options were issued.

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 was 164,531,172 as at 30 June 2019 and 31 December 2018.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

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.

Yes.

5. If there were 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.

Our Group has adopted all the new Singapore Financial Reporting Standards (International) ("SFRS(I)") and the related interpretations to SFRS(I) that are relevant to our Group and effective for the financial period beginning on or after 1 January 2019.

SFRS(I) 16 Leases

SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. The Group has applied the modified retrospective approach and does not restate comparative amounts for the year prior to first adoption.

Under the new standard, an asset representing the right to use the underlying assets during the lease term (i.e., the right-of-use asset) and a liability to make lease payments (i.e., the lease liability) are recognised. Interest expense on the lease liability and the depreciation expense on the right-of-use asset are recognised separately in the income statement.

Right-of-use assets are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition would take into account interest on the lease liabilities, lease payments made and any re-assessment or lease modifications.

On the adoption of SFRS(I) 16, the Group has recognised an equal amount of right-of-use assets and lease liabilities of S\$3.8 million for its leases previously classified as operating leases (excluding short term leases and leases for which underlying assets are of low value) as at 1 January 2019. As at 30 June 2019, the carrying amount of right-of-use asset is S\$3.6 million.

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

	Group	
	30-06-19	30-06-18
	Singapore Cents	Singapore Cents
(i) Based on number of ordinary shares in issue of 164,531,172 (30.06.2018: 164,531,172 shares)	0.66	0.50
(ii) On a fully diluted basis of 164,531,172 ordinary shares (30.06.2018: 164,531,172 shares)	0.66	0.50

Note:

The total earnings per ordinary share was calculated based on the number of ordinary shares in issue of 164,531,172 as at 30 June 2019 and 30 June 2018.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

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

	30-06-19	31-12-18
	Singapore Cents	Singapore Cents
Net asset value per ordinary shares in issue of 164,531,172 (31.12.2018 : 164,531,172)		
Group	33.54	33.55
Company	23.96	24.14

Note:

Net asset value per ordinary share was calculated based on the number of ordinary shares in issue of 164,531,172 as at 30 June 2019 and 31 December 2018.

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 period reported on.**

Statement of Comprehensive Income

- (i) Revenue decreased by 31% over period ended 30 June 2018 ("1st Half 2018") to S\$29.7 million as revenues from both manufacturing and trading sectors were reduced.
- (ii) Cost of sales dropped by 36% in line with the lower revenue.
- (iii) Gross profit increased by 5% due to improvement in gross margin by 6 percentage points to 17.5% as a result of reduced revenue from lower margin marine business for the period ended 30 June 2019 ("1st Half 2019") and improved margin from manufacturing activities.
- (iv) Interest income increased by 92% due to improved accounts receivable collection and tighter cash management.
- (v) Share of results of equity-accounted joint ventures increased by 251% to S\$0.11 million as compared to 1st Half 2018 due mainly to higher contribution from associate AP Saigon Petro JSC ("APSP").
- (vi) Profit before tax and profit net of tax increased by 72% and 42% to S\$1.28 million and S\$1.09 million, respectively due mainly to higher gross profit, interest income and share of profit from APSP.
- (vii) Income tax expense increased by S\$0.21 million because of (a) higher 1st Half 2019 taxable profit and (b) utilization of prior year tax credits in 1st Half 2018.
- (viii) Exchange difference arose mostly from the translation of financial statements of entities in the Group with US dollar functional currency to the presentation currency (i.e., Singapore dollar) at the exchange rate at end of 1st Half 2019. The income and expenses were translated at the average rate of exchange for 1st Half 2019.

Statement of Financial Position

- (i) Property, plant and equipment asset of S\$11.0 million included the construction-in-progress ("CIP") of the new factory building at 18 Pioneer Sector 1 of S\$7.1 million.
- (ii) With SFRS(I) 16 Leases effective from 1 January 2019, the Group recorded an increase in Right-of-use ("ROU") asset of S\$3.6 million for the JTC leasehold lands.
- (iii) Inventories increased by S\$4.2 million due mainly to purchase of raw materials towards the end of 1st Half 2019 and finished goods inventory for sale in July 2019.
- (iv) Trade and other receivables decreased by S\$1.3 million due mainly to lower revenue and higher accounts receivable collection.
- (v) Other assets increased by S\$0.4 million because of more prepayments made for raw materials purchase.
- (vi) Cash and cash equivalents decreased by S\$4.6 million because of higher inventories, increases in purchase of property, plant and equipment offset by bank loan proceeds.

- (vii) Loans and borrowings increased by S\$3.1 million mainly due to bank loan for the CIP project at 18 Pioneer Sector 1.
- (viii) With SFRS(I) 16 Leases effective from 1 January 2019, the Group recorded an increase in Lease liabilities of S\$3.6 million relating to the ROU of JTC leasehold lands.

Statement of Cash Flows

Operational cashflow decreased to S\$2.3 million in 1st Half 2019 due mainly to increase in inventories as compared to last year. Cash flows from investing activities decreased by S\$4.3 million in line with increase in purchase of property, plant and equipment. Cash flows from financing activities increased by S\$2.1 million mainly due to drawdown of bank loan offset by dividend paid.

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

There is no significant variance between the previous disclosures and the actual results.

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.

- (i) The strong competition in the marine lubricant business experienced in 2018 continued into 2019.
- (ii) The decrease in revenue was due to loss of a major customer that filed for Chapter 11 process in November 2018, and lower trading opportunities in 1st Half 2019.
- (iii) Management continues to seek new business development and manage costs to bolster the performance of the Group in the challenging times ahead.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No interim dividend has been proposed.

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

The Group does not have a general mandate from shareholders for interested person transactions.

14. Confirmation of undertakings from directors and executive officers.

The company has procured undertaking from all its directors and executive officers under Rule 720(1) of the listing manual.

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable.

16. In the review of performance, the factors leading to any material changes in contribution to turnover and earnings by the business or geographical segments

Total revenue decreased by 31% over last year to S\$29.7 million due mainly to decrease in manufacturing volume and trading revenue.

17. A breakdown of sales and profit

Not applicable.

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

19. Confirmation of the Board pursuant to Rule 705(5) of the listing manual.

On behalf of the Board of Directors, I hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial results to be false or misleading, in any material aspect.

BY ORDER OF THE BOARD

**Ho Chee Hon
Group CEO
13 August 2019**