

First Quarter Financial Statement And Related Announcement for the Quarter Ended 31 March 2018

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 2018 AND 31 MARCH 2017

Consolidated Income Statement

	Group 1Q2018	Group 1Q2017	Increase/ (Decrease)
	US\$'000	US\$'000	%
Revenue	272,822	260,293	4.8%
Cost of sales	(257,394)	(246,941)	4.2%
Gross profit	15,428	13,352	15.5%
Other income	146	49	198.0%
Sales and distribution costs	(7,862)	(6,786)	15.9%
General and administrative expenses	(4,413)	(3,886)	13.6%
Other expenses	(67)	(194)	(65.5%)
Interest expense	(1,494)	(837)	78.5%
Profit before taxation	1,738	1,698	2.4%
Income tax expense	(275)	(329)	(16.4%)
Profit after taxation	1,463	1,369	6.9%

Profit attributable to:			
Equity holders of the Company	1,463	1,369	6.9%

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 2018 AND 31 MARCH 2017 (CONT'D)**

Consolidated Statement of Other Comprehensive Income

	Group 1Q2018	Group 1Q2017	Increase/ (Decrease)
	US\$'000	US\$'000	%
Profit after taxation	1,463	1,369	6.9%
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:-			
Foreign currency translation	(16)	27	N.M.
Net gain on fair value changes of available-for-sale financial assets	148	385	(61.6%)
Other comprehensive income for the period	132	412	(68.0%)
Total comprehensive income for the period	1,595	1,781	(10.4%)
Total comprehensive income attributable to:			
Equity holders of the Company	1,595	1,781	(10.4%)

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

Notes to the consolidated income and statement of comprehensive income	Group 1Q2018	Group 1Q2017
	US\$'000	US\$'000
Interest income	6	7
Interest on borrowings	(1,494)	(837)
Allowance for doubtful trade debts written back	33	35
Allowance for doubtful trade debts	(100)	(229)
Reversal of stocks written down	396	311
Stocks written down/ off	(772)	(776)
Depreciation of property, plant and equipment	(299)	(216)
Gain on disposal of club membership	—	1
Net foreign exchange gain	976	60

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 31/03/2018	Group 31/12/2017	Company 31/03/2018	Company 31/12/2017
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Property, plant and equipment	3,525	2,621	–	–
Intangible assets	472	472	–	–
Investments in subsidiaries	–	–	9,878	9,878
Investment securities	2,502	2,354	2,502	2,354
Deferred tax assets	24	–	–	–
Total non-current assets	6,523	5,447	12,380	12,232
Current assets				
Trade and other debtors	190,692	199,055	–	–
Prepayments	424	375	22	2
Stocks	221,399	174,980	–	–
Amounts due from subsidiaries	–	–	31,421	30,071
Cash and short term deposits	9,840	9,979	608	718
Total current assets	422,355	384,389	32,051	30,791
Current liabilities				
Trade and other creditors	(199,881)	(169,278)	(2,862)	(1,558)
Interest-bearing loans and borrowings	(149,758)	(142,720)	–	–
Provision for taxation	(3,926)	(4,003)	(146)	(149)
Total current liabilities	(353,565)	(316,001)	(3,008)	(1,707)
Net current assets	68,790	68,388	29,043	29,084
Net assets	75,313	73,835	41,423	41,316
Equity attributable to equity holders of the Company				
Share capital	38,553	38,553	38,553	38,553
Reserves	36,760	35,282	2,870	2,763
	75,313	73,835	41,423	41,316

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

Amount repayable in one year or less, or on demand

At 31/03/2018 (US\$'000)		At 31/12/2017 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
–	149,758	–	142,720

Amount repayable after one year, or on demand

At 31/03/2018 (US\$'000)		At 31/12/2017 (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 2018.

As at 31 March 2018, the Company has provided corporate guarantees to banks and institutions in connection with credit facilities provided to its subsidiaries, of which US\$151,964,000 (31 December 2017: US\$144,806,000) 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 1Q2018	Group 1Q2017
	US\$'000	US\$'000
Operating activities		
Profit before taxation	1,738	1,698
Adjustments for:-		
Interest income	(6)	(7)
Interest expense	1,494	837
Depreciation of property, plant and equipment	299	216
Net allowance for doubtful trade debts	67	194
Net stock written down	376	465
Gain on disposal of club membership	–	(1)
Operating cash flows before changes in working capital	3,968	3,402
Increase in stocks	(46,795)	(20,961)
Decrease in trade debtors, other debtors and prepayments	8,130	2,254
Increase in trade and other creditors	30,603	7,232
Cash flows used in operations	(4,094)	(8,073)
Interest received	6	7
Interest paid	(1,494)	(837)
Income tax paid	(378)	(304)
Net cash flows used in operating activities	(5,960)	(9,207)
Investing activities		
Purchase of property, plant and equipment	(1,205)	(137)
Proceeds on disposal of club memberships	–	48
Net cash flows used in investing activities	(1,205)	(89)
Financing activity		
Increase in interest-bearing loans and borrowings	7,038	6,800
Net cash flows generated from financing activity	7,038	6,800
Net decrease in cash and short-term deposits	(127)	(2,496)
Effects of exchange rate changes on cash and short-term deposits	(12)	16
Cash and short-term deposits at beginning of period	9,979	16,606
Cash and short-term deposits at end of period	9,840	14,126

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.

1Q2018									
Attributable to equity holders of the Company									
Group	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	
Opening balance at 1 January 2018 (restated)	73,835	38,553	35,282	227	804	25	6	34,220	
Effect of SFRS(I) 9 - Financial Instruments	(117)	—	(117)	—	—	—	—	(117)	
Opening balance at 1 January 2018 (restated)	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:-									
Items that may be reclassified subsequently to profit or loss:-									
Foreign currency translation	(16)	—	(16)	—	—	—	(16)	—	
Net gain on fair value changes of available-for-sale financial assets	148	—	148	—	148	—	—	—	
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	
1Q2017									
Attributable to equity holders of the Company									
Group	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	
Opening balance at 1 January 2017 (as previously reported)	68,258	38,244	30,014	227	264	25	(1,103)	30,601	
Effect of SFRS(I) 1 - First-time Adoption of Singapore Financial reporting Standards (International)	—	—	—	—	—	—	1,103	(1,103)	
Opening balance at 1 January 2017 (restated)	68,258	38,244	30,014	227	264	25	—	29,498	
Profit for the period	1,369	—	1,369	—	—	—	—	1,369	
Other comprehensive income:-									
Items that may be reclassified subsequently to profit or loss:-									
Foreign currency translation	27	—	27	—	—	—	27	—	
Net gain on fair value changes of available-for-sale financial assets	385	—	385	—	385	—	—	—	
Other comprehensive income for the period	412	—	412	—	385	—	27	—	
Total comprehensive income for the period	1,781	—	1,781	—	385	—	27	1,369	
Closing balance at 31 March 2017 (restated)	70,039	38,244	31,795	227	649	25	27	30,867	

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).

1Q2018						
Attributable to equity holders of the Company						
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
Opening balance at 1 January 2018	41,316	38,553	2,763	227	804	1,732
Profit for the period	(41)	–	(41)	–	–	(41)
Other comprehensive income:-						
Items that may be classified subsequently to profit/ loss:-						
Net gain on fair value changes of available-for-sale financial assets	148	–	148	–	148	–
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
1Q2017						
Attributable to equity holders of the Company						
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
Opening balance at 1 January 2017	40,155	38,244	1,911	227	264	1,420
Profit for the period	(99)	–	(99)	–	–	(99)
Other comprehensive income:-						
Items that may be classified subsequently to profit/ loss:-						
Net gain on fair value changes of available-for-sale financial assets	385	–	385	–	385	–
Other comprehensive income for the period	385	–	385	–	385	–
Total comprehensive income for the period	286	–	286	–	385	(99)
Closing balance at 31 March 2017	40,441	38,244	2,197	227	649	1,321

- 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.

	1Q2018		1Q2017	
	No. of shares	US\$'000	No. of shares	US\$'000
<u>Issued share capital</u>				
At beginning and end of financial period	118,502,940	38,553	117,810,940	38,244

- 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 2018 is 118,502,940 (31 December 2017: 118,502,940)

- 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.

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).

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 FY2017 audited financial statements except that in the current financial period, the Group has adopted International Financial Reporting Standards ("SFRS(I)") effective on 1 January 2018.

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

Convergence with International Financial Reporting Standards

The Group adopted SFRS(I) on 1 January 2018.

On transition to SFRS(I), the Group elected the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group reclassified an amount of US\$1,103,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

SFRS(I) 9 – Financial Instruments

The Group recognised loss allowance amounting to US\$117,000 on initial application without restating prior periods' information according to SFRS(I) 9 – *Financial Instruments*. The difference between the previous carrying amount and the carrying amount was recognised in the opening retained earnings as at 1 January 2018.

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	
	1Q2018	1Q2017
Based on weighted average number of ordinary shares (US cents)	1.23	1.16
Weighted average number of ordinary shares	118,502,940	117,810,940
On a fully diluted basis (US cents)	1.23	1.16
Diluted weighted average number of ordinary shares	118,502,940	117,810,940

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	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Net asset value per ordinary share based on existing issued share capital as at end of period reported on (US cents)	63.55	62.31	34.96	34.86

The Group's and the Company's net asset value per ordinary share have been computed based on the share capital of 118,502,940 (31 December 2017: 118,502,940) ordinary shares, excluding treasury shares.

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.**

INCOME STATEMENT - Comparing 1Q2018 to 1Q2017

The Group's revenue increased by 4.8% from US\$260.3 million to US\$272.8 million, and gross profit increased by 15.5% from US\$13.4 million to US\$15.4 million, due to higher sales from the Hong Kong and Singapore business units arising from stronger demand.

Other income increased by 198.0% from US\$49,000 to US\$146,000 mainly due to non-recurring engineering income.

Sales and distribution costs increased by 15.9% from US\$6.8 million to US\$7.9 million, and general and administrative expenses increased by 13.5% from US\$3.9 million to US\$4.4 million. These were mainly due to higher staff costs and marketing expense.

Other expenses decreased by US\$0.1 million due to lower allowance for doubtful trade debts in 1Q2018.

Interest expense increased by 78.5% from US\$0.8 million to US\$1.5 million mainly due to higher borrowings and higher financing costs from the hikes in interest rates.

Overall, the Group reported an increase in profit after tax by 6.9% from US\$1.4 million to US\$1.5 million.

CASHFLOW AND FINANCIAL POSITION

During the quarter, the Group's net cash flow used in operating activities was US\$6.0 million compared to US\$9.2 million in 1Q2017, mainly due to lower working capital requirement.

The lower working capital requirement was mainly due to decrease in trade and other debtors from US\$199.1 million to US\$190.7 million as at 31 March 2018 due to improvement in collection and increase in trade and other creditors from US\$169.3 million to US\$199.9 million as at 31 March 2018 due to higher purchase of stock.

This was partially offset by the increase in stock from US\$175.0 million to US\$221.4 million as at 31 March 2018.

Property, plant and equipment increased from US\$2.6 million to US\$3.5 million as at 31 March 2018 mainly due to new system enhancements across the Group.

Interest-bearing loans and borrowings increased from US\$142.7 million to US\$149.8 million as at 31 March 2018 to fund the working capital requirements.

Overall, shareholders' equity increased to US\$75.3 million from US\$73.8 million as at 31 December 2017, mainly due to the profit for the period of US\$1.5 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.

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.**

With the proliferation of the Internet of Things ("IoT") in different technologies and applications, we see increasing business opportunities in our industry. Consumers' demands for rapidly evolving trends in new innovations will remain a key driver for our growth, as it will give rise to the demand for our products, solutions and services. We continue to explore collaborations with our partners to create a sustainable ecosystem of innovation, business relevance and value for our stakeholders.

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

To be announced later.

(d) Books closure date

To be announced later.

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

No dividend has been declared for 1Q2018.

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 2018 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 31 March 2018

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).

As at the date of this announcement, 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 31 Mar 2018 (S\$'000)	Balance as at 31 Mar 2018 (S\$'000)
Strategic Investments and Acquisitions	5,000	63.9%	—	5,000
Development of New Technology and Application	1,700	21.7%	(196)	1,504
Investments in Research and Development Expertise	1,125	14.4%	(309)	816
Total	7,825	100.0%	(505)	7,320

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 2018 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
8 May 2018