



**FEDERAL INTERNATIONAL (2000) LTD**  
Incorporated in the Republic of Singapore  
Registration No. 199907113K

**Unaudited Financial Statements and Dividend Announcement for  
the Six Months ended 30 June 2020**

14 August 2020

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Readers are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.

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Incorporated in the Republic of Singapore  
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## Half Year Financial Year 2020 Financial Statements and Dividend Announcement

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

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

#### UNAUDITED RESULTS FOR THE HALF-YEAR ENDED 30 JUNE 2020 ("1H2020")

		Group		
		6 Months Ended		Changes
		30.06.2020	30.06.2019	
		S\$'000	S\$'000	%
<b>INCOME STATEMENT</b>				
Revenue		30,085	22,231	35.3
Cost of sales		(25,236)	(16,829)	50.0
<b>Gross profit</b>		<b>4,849</b>	<b>5,402</b>	<b>(10.2)</b>
<b>Gross profit margin</b>		<b>16.1%</b>	<b>24.3%</b>	
Other income	(i)	1,046	1,009	3.7
Selling and distribution costs		(2,687)	(2,244)	19.7
Administrative and general costs		(4,742)	(4,811)	(1.4)
Other operating expenses	(ii)	(173)	(141)	22.7
Writeback of impairment loss / (impairment loss) on financial assets (net)	(iii)	18	(11)	N.M.
Finance costs	(iv)	(579)	(633)	(8.5)
Share of results of associates and joint venture		541	170	N.M.
Loss before tax	(v)	(1,727)	(1,259)	37.2
Income tax (expense) / credit		(122)	3,449	(103.5)
<b>(Loss) / Profit for the period</b>		<b>(1,849)</b>	<b>2,190</b>	<b>(184.4)</b>
<b>Attributable to:</b>				
Owners of the Company		(1,894)	2,506	(175.6)
Non-controlling interests		45	(316)	(114.2)
		<b>(1,849)</b>	<b>2,190</b>	<b>(184.4)</b>

**N.M. – Not Meaningful**

	← Group →		
	6 Months Ended		Changes
	30.06.2020	30.06.2019	
	S\$'000	S\$'000	%
<b>STATEMENT OF COMPREHENSIVE INCOME</b> (Loss) / Profit net of tax	(1,849)	2,190	(184.4)
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Net surplus on revaluation of freehold buildings	–	234	(100.0)
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Foreign currency translation	756	(6)	N.M.
Share of other comprehensive income / (loss) of associates and joint venture	261	(16)	N.M.
Foreign currency translation on loss of control reclassified to profit and loss	–	(5)	(100.0)
<b>Other comprehensive income for the period, net of tax</b>	<b>1,017</b>	<b>207</b>	<b>N.M.</b>
<b>Total comprehensive (loss) / income for the period</b>	<b>(832)</b>	<b>2,397</b>	<b>(134.7)</b>
<b>Total comprehensive (loss) / income attributable to:</b>			
Owners of the Company	(980)	2,732	(135.9)
Non-controlling interests	148	(335)	(144.2)
	<b>(832)</b>	<b>2,397</b>	<b>(134.7)</b>

**N.M. – Not Meaningful**

**Notes:**

1(a)(i) Other income includes the following:

	6 Months Ended	
	30.06.2020	30.06.2019
	S\$'000	S\$'000
Foreign currency exchange gain	–	113
Gain on disposal of a subsidiary	–	3
Implicit interest income	2	2
Interest income	15	198
Other rental income	108	128
Rental income from investment properties	113	4
Sundry income	808	561
	1,046	1,009

1(a)(ii) Other operating expenses include the following:

	6 Months Ended	
	30.06.2020	30.06.2019
	S\$'000	S\$'000
Allowance for slow moving inventories	–	137
Bad debts recovered	(29)	–
Foreign currency exchange loss	137	–
Inventories written off	1	3
Other expenses	64	1
	173	141

1(a)(iii) (Writeback of impairment loss) / impairment loss on financial assets (net) include the following:

	6 Months Ended	
	30.06.2020	30.06.2019
	S\$'000	S\$'000
Impairment loss on receivables (current)	–	130
Write back of impairment loss on receivables (current)	(18)	(119)
	(18)	11

1(a)(iv) Finance costs include the following:

	6 Months Ended	
	30.06.2020	30.06.2019
	S\$'000	S\$'000
Interest expense on:		
- Bank overdrafts	66	77
- Term loans	284	358
- Trust receipts	132	94
- Lease liabilities	97	104
	579	633

1(a)(v) Loss before tax is arrived at after charging the following:

	<b>6 Months Ended</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Amortisation of intangible assets	68	68
Depreciation of property, plant and equipment	996	1,006
Depreciation of right-of-use assets	178	186
	<b>1,242</b>	<b>1,260</b>

**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	
	As At 30.06.2020	As At 31.12.2019	As At 30.06.2020	As At 31.12.2019
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	18,397	19,203	8	–
Right-of-use assets	3,410	3,599	–	–
Investment properties	11,500	11,500	–	–
Investment in subsidiaries	–	–	78,068	77,838
Investment in associates and joint venture	7,584	6,783	732	732
Intangible assets	1,455	1,523	–	–
Financial assets at fair value through other comprehensive income	406	406	381	381
Other receivables	11,100	11,097	11,022	11,022
Deferred tax assets	835	839	–	–
	<b>54,687</b>	<b>54,950</b>	<b>90,211</b>	<b>89,973</b>
<b>Current assets</b>				
Inventories	13,121	10,149	–	–
Trade receivables	24,963	29,050	–	–
Other receivables	2,275	2,897	25	9
Advance payment to suppliers	2,020	956	–	–
Prepayments	842	738	8	14
Deposits	40	46	4	4
Amounts due from subsidiaries	–	–	3,140	2,857
Amounts due from associates	2,997	2,892	–	–
Amount due from a related party	6,472	6,246	–	–
Fixed and bank deposits	1,432	1,383	1,395	1,346
Cash and bank balances	5,561	7,123	115	179
	<b>59,723</b>	<b>61,480</b>	<b>4,687</b>	<b>4,409</b>
<b>Current liabilities</b>				
Trade payables	5,179	7,285	–	–
Other payables	4,464	5,424	632	696
Contract liabilities	4,064	1,512	–	–
Amounts due to subsidiaries	–	–	1,259	1,205
Amounts due to associates	9	10	–	–
Amount due to a related party	1,759	1,876	–	–
Amounts due to bankers	7,406	11,523	–	–
Term loans	7,302	7,570	–	–
Lease liabilities	210	279	–	–
Provision for taxation	60	49	–	–
	<b>30,453</b>	<b>35,528</b>	<b>1,891</b>	<b>1,901</b>
<b>Net current assets</b>	<b>29,270</b>	<b>25,952</b>	<b>2,796</b>	<b>2,508</b>
<b>Non-current liabilities</b>				
Amounts due to subsidiaries	–	–	20,168	19,463
Term loans	8,981	4,996	–	–
Provision for post employment benefits	290	290	–	–
Lease liabilities	3,318	3,414	–	–
Deferred tax liabilities	2,106	2,108	–	–
	<b>14,695</b>	<b>10,808</b>	<b>20,168</b>	<b>19,463</b>
<b>Net assets</b>	<b>69,262</b>	<b>70,094</b>	<b>72,839</b>	<b>73,018</b>

**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	
	As At 30.06.2020	As At 31.12.2019	As At 30.06.2020	As At 31.12.2019
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Equity</b>				
Share capital	144,099	144,099	144,099	144,099
Treasury shares	(25)	(25)	(25)	(25)
Foreign currency translation reserve	(2,978)	(3,892)	–	–
Capital reserve	5	5	–	–
Revaluation reserve	18,301	18,301	–	–
Other reserves	(1,133)	(1,133)	(157)	(157)
Accumulated losses	(76,016)	(74,122)	(71,078)	(70,899)
<b>Equity attributable to owners of the Company</b>	<b>82,253</b>	<b>83,233</b>	<b>72,839</b>	<b>73,018</b>
Non-controlling interests	(12,991)	(13,139)	–	–
<b>Total equity</b>	<b>69,262</b>	<b>70,094</b>	<b>72,839</b>	<b>73,018</b>

**1(b)(ii) In relation to the aggregate amount of group's borrowings and debt securities, please specify the following at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:**

**Amount repayable in one year or less, or on demand**

As at 30.06.2020 S\$'000		As at 31.12.2019 S\$'000	
Secured	Unsecured	Secured	Unsecured
14,708	–	19,093	–

**Amount repayable after one year**

As at 30.06.2020 S\$'000		As at 31.12.2019 S\$'000	
Secured	Unsecured	Secured	Unsecured
8,981	–	4,996	–

**Details of any collaterals**

The Group's secured borrowings comprise bank overdrafts, trust receipts and term loans.

The Group's term loans, overdrafts and trust receipts (collectively known as "**Amounts due to Bankers**") are secured on:

- (i) Subsidiaries' properties located at 47 and 49 Genting Road, Singapore 349489, at 11 Tuas Avenue 1, Singapore 639496, and at 12 Chin Bee Drive, Singapore 619868;
- (ii) Bank deposits pledged by the Company;
- (iii) Corporate guarantee by the Company;
- (iv) Standby letter of credit issued by financial institution and guaranteed by related companies;
- (v) Personal guarantee and pledge of real property by a director of a subsidiary; and
- (vi) Subsidiary's inventories.



**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.**

	<b>Group</b>	
	<b>For 6 Months Ended</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from operating activities:</b>		
Loss before tax	(1,727)	(1,259)
<u>Adjustments for:</u>		
Amortisation of intangible assets	68	68
Depreciation of property, plant and equipment	996	1,006
Depreciation of right-of-use assets	178	186
Gain on disposal of a subsidiary	–	(3)
Implicit interest income	(2)	(2)
Interest expense	579	633
Interest income	(15)	(198)
Share of results of associates and joint venture	(541)	(170)
Foreign currency exchange (gain) / loss	(108)	(2)
<b>Operating cash flows before changes in working capital</b>	<b>(572)</b>	<b>259</b>
<u>(Increase)/decrease in:</u>		
Inventories	(3,004)	1,023
Trade and other receivables	5,402	(2,801)
Financial receivable	–	299
Advance payment to suppliers	(1,051)	350
Prepayments	(105)	(57)
Deposits	6	22
<u>(Decrease)/increase in:</u>		
Trade and other payables	(3,063)	(3,177)
Contract liabilities	2,379	(384)
Amount due to a related party	(159)	14
Provision for post employment benefits	–	5
<b>Cash flows used in operations</b>	<b>(167)</b>	<b>(4,447)</b>
Income taxes (paid) / refund	(149)	610
Interest income received	120	7
<b>Net cash flows used in operating activities</b>	<b>(196)</b>	<b>(3,830)</b>
<b>Cash flows from investing activities:</b>		
Interest income received	4	8
Net cash outflow on disposal of a subsidiary	–	(24)
Purchase of property, plant and equipment	(220)	(414)
<b>Net cash flows used in investing activities</b>	<b>(216)</b>	<b>(430)</b>

	<b>Group</b>	
	<b>For 6 Months Ended</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from financing activities:</b>		
Interest expense paid	(541)	(547)
(Repayments of)/proceeds from secured bank overdrafts	(997)	616
Drawdown of term loans	5,951	904
Repayment of term loans	(2,251)	(3,063)
Drawdown in trust receipts	11,684	8,417
Repayments in trust receipts	(14,831)	(7,823)
Repayments of lease liabilities – principal	(154)	(154)
Repayments of lease liabilities – interest	(98)	(87)
<b>Net cash used in financing activities</b>	<b>(1,237)</b>	<b>(1,737)</b>
Net decrease in cash and cash equivalents	(1,649)	(5,997)
Effect of exchange rate changes on cash and cash equivalents	87	(1)
Cash and cash equivalents at beginning of period	7,160	9,003
<b>Cash and cash equivalents at end of the period</b>	<b>5,598</b>	<b>3,005</b>

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at the balance sheet date:

	<b>Group</b>	
	<b>For 6 Months Ended</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash and cash equivalents at the end of the period:</b>		
Cash and bank balances and fixed deposits	6,993	4,358
Less: Bank deposits pledged	(1,395)	(1,353)
<b>Cash and cash equivalents</b>	<b>5,598</b>	<b>3,005</b>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other 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 owners of the Company →							Total S\$'000	Non- controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Treasury shares S\$'000	Accumu- lated losses S\$'000	Foreign currency translation reserve S\$'000	Capital reserve S\$'000	Revaluation reserve S\$'000	Other reserves S\$'000			
<b>Balance at 01.01.2020</b>	<b>144,099</b>	<b>(25)</b>	<b>(74,122)</b>	<b>(3,892)</b>	<b>5</b>	<b>18,301</b>	<b>(1,133)</b>	<b>83,233</b>	<b>(13,139)</b>	<b>70,094</b>
Loss net of tax	–	–	(1,894)	–	–	–	–	(1,894)	45	(1,849)
Other comprehensive income:										
Items that are or may be reclassified subsequently to profit or loss:										
Foreign currency translation	–	–	–	653	–	–	–	653	103	756
Share of other comprehensive income of associates and joint venture	–	–	–	261	–	–	–	261	–	261
<b>Total comprehensive income / (loss) for the period</b>	<b>–</b>	<b>–</b>	<b>(1,894)</b>	<b>914</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(980)</b>	<b>148</b>	<b>(832)</b>
<b>Balance at 30.06.2020</b>	<b>144,099</b>	<b>(25)</b>	<b>(76,016)</b>	<b>(2,978)</b>	<b>5</b>	<b>18,301</b>	<b>(1,133)</b>	<b>82,253</b>	<b>(12,991)</b>	<b>69,262</b>
<b>Balance at 01.01.2019</b>	<b>144,099</b>	<b>(25)</b>	<b>(76,506)</b>	<b>(3,748)</b>	<b>5</b>	<b>17,782</b>	<b>(976)</b>	<b>80,631</b>	<b>(13,161)</b>	<b>67,470</b>
Profit net of tax	–	–	2,506	–	–	–	–	2,506	(316)	2,190
Other comprehensive income:										
Items that will not be reclassified subsequently to profit or loss:										
Net surplus on revaluation of freehold buildings	–	–	–	–	–	234	–	234	–	234
Items that are or may be reclassified subsequently to profit or loss:										
Foreign currency translation	–	–	–	11	–	–	–	11	(17)	(6)
Share of other comprehensive loss of associates and joint venture	–	–	–	(16)	–	–	–	(16)	–	(16)
Foreign currency translation on loss of control reclassified to profit or loss	–	–	–	(3)	–	–	–	(3)	(2)	(5)
<b>Total comprehensive income / (loss) for the period</b>	<b>–</b>	<b>–</b>	<b>2,506</b>	<b>(8)</b>	<b>–</b>	<b>234</b>	<b>–</b>	<b>2,732</b>	<b>(335)</b>	<b>2,397</b>
Disposal of a subsidiary company	–	–	–	–	–	–	–	–	(22)	(22)
<b>Balance at 30.06.2019</b>	<b>144,099</b>	<b>(25)</b>	<b>(74,000)</b>	<b>(3,756)</b>	<b>5</b>	<b>18,016</b>	<b>(976)</b>	<b>83,363</b>	<b>(13,518)</b>	<b>69,845</b>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other 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**

<b>The Company</b>	<b>Share capital</b>	<b>Treasury shares</b>	<b>Accumulated losses</b>	<b>Other reserves</b>	<b>Total equity</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Balance at 01.01.2020</b>	<b>144,099</b>	<b>(25)</b>	<b>(70,899)</b>	<b>(157)</b>	<b>73,018</b>
Loss for the period	–	–	(179)	–	(179)
Total comprehensive loss for the period	–	–	(179)	–	(179)
<b>Balance at 30.06.2020</b>	<b>144,099</b>	<b>(25)</b>	<b>(71,078)</b>	<b>(157)</b>	<b>72,839</b>
<b>Balance at 01.01.2019</b>	<b>144,099</b>	<b>(25)</b>	<b>(69,935)</b>	–	<b>74,139</b>
Profit for the period	–	–	887	–	887
Total comprehensive income for the period	–	–	887	–	887
<b>Balance at 30.06.2019</b>	<b>144,099</b>	<b>(25)</b>	<b>(69,048)</b>	–	<b>75,026</b>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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.**

The Company did not issue any ordinary shares during the 6 months ended 30 June 2020.

The Company did not have any convertible securities as at 30 June 2020 (30 June 2019: Nil).

There were no subsidiary holdings as at 30 June 2020 (30 June 2019: Nil).

There were a total of 100,000 treasury shares held as at 30 June 2020 (30 June 2019: 100,000).

- 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.**

	Number of shares	
	30.06.2020	31.12.2019
Total number of issued shares	140,767,484	140,767,484
Less: Treasury shares	(100,000)	(100,000)
Total number of issued shares excluding treasury shares	140,667,484	140,667,484

- 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.**

The Company held 100,000 treasury shares as at 30 June 2020. There were no sales, transfers, cancellation and/or use of treasury shares as at the end of 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 sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

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

The figures have not been audited nor reviewed by the Company's auditor.

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

Not applicable.

**3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:**

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is material uncertainty relating to going concern.

None.

**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 has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with the audited financial statements for the year ended 31 December 2019, except that the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2020.

**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 Group has adopted all the new and revised standards which are effective for annual period beginning on or after 1 January 2020. The adoption of the new standards that are effective on 1 January 2020 did not result in any substantial change to the Group's and Company's accounting policies or have any significant impact on the financial statements,

**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.**

	<b>Group</b>	
	<b>6 Months Ended</b>	
	<b>30.06.2020</b>	<b>30.06.2019</b>
(i) Based on the weighted average number of ordinary shares in issue	(1.35) cents	1.78 cents
Weighted average number of ordinary shares in issue (excluding treasury shares)	140,667,484	140,667,484
(ii) On a fully diluted basis	(1.35) cents	1.78 cents
Weighted average number of ordinary shares in issue (excluding treasury shares)	140,667,484	140,667,484

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.**

	<b>Group</b>	<b>Company</b>
	cents	cents
As at 30.06.2020	58.47	51.78
As at 31.12.2019	59.17	51.91

Net asset value per share is calculated based on the number of ordinary shares in issue (excluding treasury shares) of 140,667,484 as at 30 June 2020 (31 December 2019: 140,667,484).

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 affect the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

## **CONSOLIDATED INCOME STATEMENT**

### **1H2020 versus 1H2019**

#### **Overview**

The Group recorded a net loss attributable to shareholders of \$1.9 million (1H2019: profit of \$2.5 million) and loss per ordinary share of 1.35 cents (1H2019: earnings per ordinary share of 1.78 cents) for 1H2020.

#### **Revenue**

Revenue of \$30.1 million in 1H2020 was 35.3% higher than the revenue for 1H2019 of \$22.2 million. This was mainly due to higher revenue registered by the Group's trading operation in China and the partial delivery of flow control products under the contracts secured last year.

#### **Gross profit**

Gross profit of \$4.8 million in 1H2020 was 10.2% lower than 1H2019 of \$5.4 million. The decrease was mainly due to lower gross profit margin of 16.1% (1H2019: 24.3%). The higher portion of revenue from the scrubber trade of our China trading operation (which made up more than half of the Group's revenue for the period), was of lower margin. Flow control products continue to enjoy comparable margin as that of last year.

#### **Other income**

Other income of \$1.0 million in 1H2020 (1H2019: \$1.0 million) comprises mainly Jobs Support Scheme ("JSS") payout of \$523,000 and rental income. Overall, the Group recorded lower handling fees for the period.

#### **Selling and distribution costs**

Selling and distribution costs of \$2.7 million in 1H2020 were 19.7% higher than the costs incurred in 1H2019 of \$2.2 million mainly due to higher marketing and sales related expenses in line with higher revenue for the period.

**Administrative and general costs**

Administrative and general costs of \$4.7 million in 1H2020 were marginally lower compared to the costs incurred in 1H2019 of \$4.8 million mainly due to lower salary and other staff related costs, legal and professional fees partially offset by an increase in depreciation expense due to the classification of depreciation for the land drilling rig under administrative and general costs during the period of undeployment.

**Other operating expenses**

Other operating expenses in 1H2020 amounted to \$173,000 as compared to \$141,000 for 1H2019. Other operating expenses in 1H2020 mainly comprised exchange loss and expenses relating to the upkeep of the land drilling rig.

**Finance costs**

Finance costs of \$579,000 in 1H2020 were 8.5% lower than the costs incurred in 1H2019 of \$633,000. The decrease was mainly due to the lower term loan interest expense, and was partially offset by higher interest on trust receipts.

**Share of results of associates and joint venture**

The Group's share of results of associates and joint venture of \$541,000 in 1H2020 (1H2019: \$170,000) were mainly due to higher profits reported by the Group's associated companies in Indonesia, whereas the associated company in Japan reported a loss during the period.

**Income tax (expense) / credit**

The Group recorded a tax expense of \$122,000 (1H2019: tax credit of \$3.4 million). The tax credit in 1H2019 was due to a write back of prior years' tax overprovision by a subsidiary after finalisation of prior years' tax assessment in 1H2019.

**STATEMENT OF FINANCIAL POSITION FOR THE GROUP****Net assets attributable to owners of the Company**

As at 30 June 2020, the net assets attributable to owners of the Company amounted to \$82.3 million, which translates to a net asset value per ordinary share of 58.47 cents.

**Non-current assets**

Non-current assets decreased by \$263,000 to \$54.7 million (31 December 2019: \$55.0 million). The decrease was mainly due to: -

- a) Decrease in property, plant and equipment, intangible assets and right-of-use assets as a result of depreciation and amortisation.

The above is partially offset by: -

- b) Increase in investment in associates and joint venture of \$801,000 as a result of share of associates' result for the period well as movement in the foreign currency translation reserve arising from foreign currency exchange fluctuations.

**Current assets**

Current assets decreased by \$1.8 million to \$59.7 million (31 December 2019: \$61.5 million). The decrease was mainly due to: -

- a) Decrease in trade receivables of \$4.1 million due to receipts from customers;
- b) Decrease in cash and bank balances of \$1.6 million mainly due to settlement of trust receipts due to banks.

The above is partially offset by:

- c) Increase in inventories of \$3.0 million due higher orders from customers awaiting delivery as at 30 June 2020.



**Current liabilities**

Current liabilities decreased by \$5.1 million to \$30.5 million (31 December 2019: \$35.5 million). The decrease was mainly due to: -

- a) Decrease in trade and other payables of \$3.1 million mainly due to settlement of trade and other payables;
- b) Decrease in amounts due to bankers of \$4.1 million due to settlement of trust receipts due to banks;

These are partially offset by: -

- c) Increase in contract liabilities of \$2.6 million. Contract liabilities relate to advance consideration received from customers.

**Non-current liabilities**

Non-current liabilities increased by \$3.9 million to \$14.7 million (31 December 2019: \$10.8 million) mainly due to the increase in term loan.

**STATEMENT OF FINANCIAL POSITION FOR THE COMPANY****Non-current assets**

Non-current assets increased marginally by \$238,000 to \$90.2 million (31 December 2019: \$90.0 million) due mainly to an increase in investment in subsidiaries arising from translation gain as a result of foreign currency exchange on loans to subsidiaries.

**Current assets**

Current assets increased by \$278,000 million to \$4.7 million (31 December 2019: \$4.4 million). The increase was mainly due to an increase in amounts due from subsidiaries and other receivables.

**Current liabilities**

Current liabilities decreased marginally by \$10,000 to \$1.9 million (31 December 2019: \$1.9 million). The decrease was mainly due to a decrease in other payables.

**Non-current liabilities**

Non-current liabilities increased by \$705,000 to \$20.2 million (31 December 2019: \$19.5 million) due to an increase in amount due to subsidiaries.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

As at 30 June 2020, the Group's cash and cash equivalents, excluding pledged deposits, amounted to \$5.6 million. For the 6 months ended 30 June 2020, operating activities utilised cash of \$196,000, investing activities utilised cash of \$216,000 and financing activities utilised cash of \$1.2 million.

The net cash used in operating activities was mainly due to an increase in inventories and a decrease in trade and other payables, partially offset by a decrease in trade and other receivables and increase in contract liabilities.

The net cash used in investing activities was mainly due to additions to property, plant and equipment.

The net cash used in financing activities was mainly due to the net decrease in amount owing to banks.

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

On 11 August 2020, the Company released a profit guidance on SGXNET regarding an expected loss for 1H2020.

The actual results for 1H2020 correspond with the profit guidance issued.

**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.**

In FY2019, the Group secured US\$13.1 million worth of contracts to supply flow control products in Thailand, Malaysia and Vietnam of which approximately US\$2.0m have been completed. The remaining contracts are expected to be delivered by November 2020.

The Group's China trading activities were affected by disruptions to scrubber production and delivery as well as docking of vessels at the Chinese shipyards. Activities have resumed and the Group will continue to fulfil contracted commitments for 2H2020.

The Group has expected more opportunities in the Indonesia market for FY2020. However, COVID-19 has affected government and business investments in land infrastructure sector where several projects have been postponed to FY2021. Activities in this segment is expected to remain low in 2H2020.

The Group is also participating in two offshore oil and gas tenders, in Myanmar and Thailand. Competition has become more intense due to several project postponements leading to EPC contractors competing to fill idle capacity.

In view of the uncertain environment and challenges facing the industry, the Group will cautiously evaluate all opportunities and exercise prudence in managing cash flow and liquidity.

**11. Dividend**

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

Any dividend declared for the current financial period reported on?

None.

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

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

None.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

No dividends have been declared or recommended as working capital is required for the Group's business activities.

**13. Interested Person Transactions**

The Company does not have a shareholders' mandate for interested person transactions ("IPT").

The aggregate value of all IPTs during the financial period under review is less than S\$100,000.

**14. Negative Assurance Confirmation Statement on Interim Financial Statements**

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to their attention which may render the interim financial statements for the period ended 30 June 2020, to be false or misleading in any material aspect.

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

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

**BY ORDER OF THE BOARD**

**Koh Kian Kiong**  
**Executive Chairman & CEO**

**Maggie Koh**  
**Executive Director**

**14 August 2020**