

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::FIRST QUARTER RESULTS

Issuer & Securities

Issuer/ Manager

XMH HOLDINGS LTD.

Securities

XMH HOLDINGS LTD. - SG1CF5000006 - BQF

Stapled Security

No

Announcement Details

Announcement Title

Financial Statements and Related Announcement

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Designation

Chairman and Managing Director

Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)

Please refer to the attachment.

Additional Details

For Financial Period Ended

31/07/2019

Attachments

[XMHHL%20-%20Announcement%20-%20Results%201Q%20FY2020.pdf](#)

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XMH

XMH HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No: 201010562M)

**UNAUDITED FIRST QUARTER (“1QFY2020”) FINANCIAL STATEMENTS
ANNOUNCEMENT FOR THE PERIOD ENDED 31 JULY 2019**

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

(In S\$'000) Description	Group		
	Actual 1QFY2020	Actual 1QFY2019	Change %
Revenue	12,913	14,573	(11.4)
Cost of sales	(10,506)	(10,175)	3.3
Gross profit	2,407	4,398	(45.3)
Other income	742	507	46.4
Distribution expenses	(1,146)	(1,213)	(5.5)
Administrative expenses	(3,744)	(4,049)	(7.6)
Results from operating activities	(1,741)	(357)	NM
Finance income	79	331	(76.1)
Finance costs	(934)	(334)	NM
Net finance costs	(855)	(3)	NM
Loss before tax	(2,596)	(360)	NM
Tax expense	(4)	(2)	100.0
Loss after tax	(2,600)	(362)	NM
Items that may be reclassified subsequently to profit or loss			
<i>Exchange differences arising from translation of the financial statements of the subsidiary corporations</i>	847	167	NM
<i>Net changes in the fair value of available-for-sale financial assets</i>	-	(75)	NM
<i>Deferred tax arising from available-for-sale financial assets</i>	-	13	NM
<i>Other comprehensive income for the period, net of tax</i>	847	105	NM
Total comprehensive expense for the period	(1,753)	(257)	NM
Loss attributable to:			
Owners of the Company	(2,409)	(229)	NM
Non-controlling interests	(191)	(133)	43.6
	(2,600)	(362)	NM
Total comprehensive expenses attributable to:			
Owners of the Company	(1,565)	(124)	NM
Non-controlling interests	(188)	(133)	41.4
	(1,753)	(257)	NM

Note:

NM denotes not meaningful where there is no comparative or the fluctuation is more than 100%

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 JULY 2019

1(a)(ii) The statement of comprehensive income is arrived after crediting /(charging) the following:

(In S\$'000) Description	Group		
	Actual 1QFY2020	Actual 1QFY2019	Change %
Other miscellaneous income	194	91	NM
Rental income	379	350	8.3
Expected credit losses on receivables and contract assets	7	-	NM
Write-back of expected credit losses on receivables and contract assets	169	66	NM
Interest income	79	75	5.3
Interest expense	(412)	(334)	23.4
Net foreign exchange (loss)/gain	(522)	256	NM
Depreciation of property, plant and equipment	(951)	(1,325)	(28.2)
Amortisation of intangible assets	(226)	(221)	2.3
Depreciation of right-of-use-assets	(22)	-	NM
Share-based payment expenses	(18)	(33)	(45.5)
Adjustment for overprovision of tax in respect of prior year	-	1	NM

Note:

NM denotes not meaningful where there is no comparative or the fluctuation is more than 100%

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 JULY 2019

1(b) A statement of financial position (for the Company and Group), together with a comparative statement as at the end of the immediately preceding financial year.

(In S\$'000) Description	Group		Company	
	31 Jul 2019	30 Apr 2019	31 Jul 2019	30 Apr 2019
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment	58,635	59,534	53,981	54,741
Intangible assets	10,145	10,351	-	-
Other financial assets	644	662	-	-
Investment in subsidiary corporations	-	-	18,701	18,701
Club memberships	214	206	-	-
Deferred tax assets	38	37	-	-
Total non-current assets	69,676	70,790	72,682	73,442
<u>Current assets</u>				
Inventories	34,655	27,496	-	-
Trade and other receivables	9,089	14,570	2,109	1,912
Prepayment	434	416	33	38
Contract assets	13,389	15,389	-	-
Right-of-use assets	136	-	-	-
Cash and short-term fixed deposits	19,864	23,552	851	792
Tax recoverable	32	32	-	-
Total current assets	77,599	81,455	2,993	2,742
TOTAL ASSETS	147,275	152,245	75,675	76,184
LIABILITIES AND EQUITY				
<u>Current liabilities</u>				
Trade and other payables	19,882	23,078	9,100	8,843
Contract liabilities	38	240	-	-
Lease liabilities	151	-	-	-
Loans and borrowings	23,700	23,267	1,925	1,929
Current tax payables	197	183	52	52
Total current liabilities	43,968	46,768	11,077	10,824
<u>Non-current liabilities</u>				
Other payables	252	251	563	562
Loans and borrowings	46,622	47,250	36,676	37,160
Deferred tax liabilities	209	241	-	-
Total non-current liabilities	47,083	47,742	37,239	37,722
TOTAL LIABILITIES	91,051	94,510	48,316	48,546
NET ASSETS	56,224	57,735	27,359	27,638
EQUITY				
Equity attributable to owners of the Company				
Share capital	39,780	39,780	39,780	39,780
Reserve for own shares	(3,292)	(3,292)	(3,292)	(3,292)
Other reserves	(6,047)	(6,909)	2,286	2,268
Accumulated profits/(losses)	25,088	27,510	(11,415)	(11,118)
	55,529	57,089	27,359	27,638
Non-controlling interests	695	646	-	-
Total equity	56,224	57,735	27,359	27,638
TOTAL EQUITY AND LIABILITIES	147,275	152,245	75,675	76,184

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 JULY 2019

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

Description (in S\$'000)	Group	
	31 Jul 2019	30 Apr 2019
Amount repayable in one year or less, or on demand		
- Secured ⁽¹⁾	23,700	23,267
Amount repayable after one year		
- Secured	46,622	47,250
Total	70,322	70,517

The Group has certain banking facilities which are secured by the following: -

- (a) Legal mortgage on factory buildings of the Group; and
- (b) Corporate guarantee by the Company.

Note:

- (1) The type of secured loans payable in one year or less, or on demand consists of the following;

Description (in S\$'000)	Group	
	31 Jul 2019	30 Apr 2019
Bills payables	11,568	10,378
Revolving credit facility	9,573	10,330
Finance leases	60	78
Term loans	2,499	2,481
Total	23,700	23,267

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 JULY 2019

1(d) A consolidated statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

(In S\$'000) Description	3 months ended	
	1QFY2020	1QFY2019
<u>Cash flows from operating activities</u>		
Loss before tax	(2,596)	(360)
Adjustments for:		
Amortisation of intangible assets	226	221
Depreciation of right-of-use assets	22	-
Depreciation of property, plant and equipment	951	1,325
Share-based payment expenses	18	33
Interest income	(79)	(75)
Interest expense	412	334
Write-back of expected credit losses on receivables and contract assets	(169)	(66)
Allowance for expected credit losses on receivables and contract assets	7	-
Impairment losses on quoted equity securities	18	-
Net effect of exchange rate changes in consolidating subsidiaries	562	185
	(628)	1,597
Changes in inventories	(7,159)	537
Changes in trade and other receivables	5,643	883
Changes in prepayment	(18)	(78)
Changes in contract assets	2,000	938
Changes in rights-of-use assets	(4)	-
Changes in trade and other payables	(3,196)	(1,097)
Changes in contract liabilities	(202)	496
Changes in lease liabilities	4	-
Cash (used in)/generated from operations	(3,560)	3,276
Income tax paid, net	(23)	(28)
Net cash (used in)/generated from operating activities	(3,583)	3,248
<u>Cash flows from investing activities</u>		
Interest received	79	75
Acquisition of property, plant and equipment	(29)	(27)
Withdrawal of structure deposits	7,480	-
Net cash generated from investing activities	7,530	48
<u>Cash flows from financing activities</u>		
Repayment of borrowings	(610)	(565)
Proceeds from revolving credit facility	1,508	1,950
Repayment of revolving credit facility	(2,331)	(3,986)
Proceeds from trust receipts	10,485	8,053
Repayment of trust receipts	(9,509)	(10,061)
Repayment of finance lease liabilities	(28)	(26)
Payment on lease liabilities	(28)	-
Interest paid	(405)	(334)
Purchase of treasury shares	-	(233)
Capital injection from non-controlling interest	238	102
Net cash used in financing activities	(681)	(5,100)
Net increase/(decrease) in cash and cash equivalents	3,266	(1,804)
Cash and cash equivalents at beginning of the period	15,345	23,959
Effects of exchange rate fluctuations on cash held	524	157
Cash and cash equivalents at end of financial period	19,135	22,312

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 JULY 2019

(In S\$'000) Description	3 months ended	
	1QFY2020	1QFY2019
Represented by:		
Cash at bank and on hand	19,135	14,221
Short-term fixed deposits	729	8,436
	19,864	22,657
Less: Fixed deposits under pledged	(20)	(19)
Fixed deposits	(21)	(21)
Structure deposits	(688)	-
Bank overdrafts	-	(305)
Cash and cash equivalents in the consolidated statement of cash flows	19,135	22,312

1(e) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

COMPANY Description (in S\$'000)	Share Capital	Reserve for own Shares	Share Option Reserve	Accumulated Losses	Total
As at 1 May 2019	39,780	(3,292)	2,268	(11,118)	27,638
Loss for the period	-	-	-	(297)	(297)
Share-based payment transactions	-	-	18	-	18
As at 31 July 2019	39,780	(3,292)	2,286	(11,415)	27,359

COMPANY Description (in S\$'000)	Share Capital	Reserve for own Shares	Share Option Reserve	Accumulated Profits/(Losses)	Total
As at 1 May 2018	39,780	(2,791)	2,175	(2,751)	36,413
Loss for the period	-	-	-	(218)	(218)
Share-based payment transactions	-	-	33	-	33
Purchase of treasury shares	-	(233)	-	-	(233)
As at 31 July 2018	39,780	(3,024)	2,208	(2,969)	35,995

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 JULY 2019

GROUP Description (in S\$'000)	Share Capital	Reserve for Own Shares	Share Option Reserve	Foreign Currency Translation Reserve	Accumulated Profits	Attributable to Owners of the Company	Non- controlling Interests	Total
As at 1 May 2019	39,780	(3,292)	2,268	(9,177)	27,510	57,089	646	57,735
Effect on adoption of SFRS(I) 16	-	-	-	-	(13)	(13)	(1)	(14)
As at 1 May 2019 (Restated)	39,780	(3,292)	2,268	(9,177)	27,497	57,076	645	57,721
Loss for the period	-	-	-	-	(2,409)	(2,409)	(191)	(2,600)
Other comprehensive income/(expenses)								
Exchange differences arising from translation of the financial statements of the subsidiary corporations	-	-	-	844	-	844	3	847
Total other comprehensive income	-	-	-	844	-	844	3	847
Total comprehensive income/(expenses) for the period	-	-	-	844	(2,409)	(1,565)	(188)	(1,753)
Changes in ownership interest in subsidiary corporation								
Subscription of shares of a subsidiary corporation	-	-	-	-	-	-	238	238
Contributions by and distributions to owners								
Share-based payment transactions	-	-	18	-	-	18	-	18
Total transactions with owners in their capacity as owners	-	-	18	-	-	18	-	18
As at 31 July 2019	39,780	(3,292)	2,286	(8,333)	25,088	55,529	695	56,224

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 JULY 2019

GROUP Description (in S\$'000)	Share Capital	Reserve for Own Shares	Share Option Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Accumulated Profits	Attributable to Owners of the Company	Non- controlling Interests	Total
As at 1 May 2018	39,780	(2,791)	2,175	35	(9,197)	30,848	60,850	1,251	62,101
Loss for the period	-	-	-	-	-	(229)	(229)	(133)	(362)
Other comprehensive income/(expenses)									
Exchange differences arising from translation of the financial statements of the subsidiary corporations	-	-	-	-	167	-	167	-	167
Net changes in the fair value of available-for-sale financial assets	-	-	-	(75)	-	-	(75)	-	(75)
Deferred tax arising from available-for-sale financial assets	-	-	-	13	-	-	13	-	13
Total other comprehensive income/(expenses)	-	-	-	(62)	167	-	105	-	105
Total comprehensive income/(expenses) for the period	-	-	-	(62)	167	(229)	(124)	(133)	(257)
Changes in ownership interest in subsidiary corporation									
Subscription of shares of a subsidiary corporation	-	-	-	-	-	-	-	102	102
Contributions by and distributions to owners									
Share-based payment transactions	-	-	33	-	-	-	33	-	33
Purchase of treasury shares	-	(233)	-	-	-	-	(233)	-	(233)
Total transactions with owners in their capacity as owners	-	(233)	33	-	-	-	(200)	-	(200)
As at 31 July 2018	39,780	(3,024)	2,208	(27)	(9,030)	30,619	60,526	1,220	61,746

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 JULY 2019

- 1(f) 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 any other purpose since the end of the previous period reported on.**

As at 31 July 2019, the Company's issued and fully paid up capital (excluding treasury shares and subsidiary holdings) comprises of 109,282,221 ordinary shares (31 July 2018: 110,281,621 ordinary shares). Particulars of the company's share capital in 1QFY2020 and 1QFY2019 are set out below.

Description	1QFY2020	
	Number of Shares	Share Capital (\$'000)
Balance at beginning and end of period	109,282,221	39,780

Description	1QFY2019	
	Number of Shares	Share Capital (\$'000)
Balance at beginning and end of period	111,281,821	39,780
Purchase of treasury shares	(1,000,200)	-
Balance at end of period	110,281,621	39,780

Purchase of treasury shares

There was no share buy-back transaction in 1QFY2020 (1QFY2019: 1,000,200 shares). As at 31 July 2019, the total consideration for the treasury shares held under the share buy-back scheme was S\$3,292,000 (31 July 2018: S\$3,024,000) for a total of 5,230,350 shares (30 July 2018: 4,230,950 shares).

The number of treasury shares held by the Company represents 4.79% (31 July 2018: 3.84%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company as at 31 July 2019.

XMH Share Option Scheme

As at 31 July 2019, the outstanding balance of unexercised options under the XMH Share Option Scheme total 4,225,250 shares (31 July 2018: 5,334,000 shares) or 3.87% (31 July 2018: 4.84%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company.

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 JULY 2019

- 1(g) 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 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 call 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.**

Not applicable. There are no convertibles. Particulars of treasury shares and subsidiary holdings are shown in 1(h) below.

- 1(h)(i) To show the total number of issued shares excluding treasury shares as at the end of current financial year reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Description	31 July 2019	31 July 2018
Total number of shares issued	114,512,571	114,512,571
Less: Treasury shares	(5,230,350)	(4,230,950)
Total	109,282,221	110,281,621

- 1(h)(ii) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Description	31 July 2019	31 July 2018
Balance at beginning of period	5,230,350	3,230,750
Purchase of treasury shares	-	1,000,200
Balance at end of period	5,230,350	4,230,950

- 1(h)(iii) A statement showing all sales, transfer, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

During the financial period, there was no transaction pertaining to subsidiary holdings.

- 2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures for the quarters ended 31 July 2019 and 31 July 2018 have not been audited or reviewed by auditors.

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 JULY 2019

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

Not applicable.

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

Except as described in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those adopted for the audited consolidated financial statements for the financial year ended 30 April 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 Group has adopted new Singapore Financial Reporting Standards (International) ("SFRS(I)") for the financial period beginning on or after 1 May 2019 as follows:

SFRS(I) 16 Leases

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Group recognises its existing operating lease arrangements as ROU assets with corresponding lease liabilities by applying a single discount rate to its lease of office equipment and dormitories.

The Group applied the practical expedient to recognise amounts of ROU assets equal to its lease liabilities at 1 May 2019 and recognition exemptions for short-term leases and leases of low value items in accordance with the principles of SFRS(I) 16.

The nature of expenses related to rental/leases changed as the principles under SFRS(I) 16 replaces the straight-line operating lease expense with the net change in interest expense on lease liabilities.

The following is the reconciliation of the impact arising from the first-time adoption of SFRS(I) 16 on 1 May 2019 to the statement of financial position of the Group as follows:

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 JULY 2019

Consolidated Statement of Financial Position

Description (In S\$'000)	Group		
	1 May 2019 SFRS	1 May 2019 Effect on adoption of SFRS(I) 16	1 May 2019 SFRS(I) 16
ASSETS			
Non-current assets	70,790	-	70,790
Current assets			
Right-of-use assets	-	162	162
Other current assets	81,455	-	81,455
	81,455	162	81,617
Total assets	152,245	162	152,407
LIABILITIES & EQUITY			
Current liabilities			
Lease liabilities	-	176	176
Other current liabilities	46,768	-	46,768
	46,768	176	46,944
Net current assets	34,687	(14)	34,673
Non-current liabilities	47,742	-	47,742
Total liabilities	94,510	176	94,686
Equity attributable to owners of the Company			
Share capital	39,780	-	39,780
Reserve for own shares	(3,292)	-	(3,292)
Other reserves	(6,909)	-	(6,909)
Accumulated profits	27,510	(13)	27,497
Equity attributable to owners of the Company	57,089	-	57,076
Non-controlling Interests	646	(1)	645
Total equity	57,735	(14)	57,721
Total equity and liabilities	152,245	-	152,407

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 JULY 2019

6. Loss per ordinary share (“LPS”) of the group for the current financial period reported on and the corresponding period of the immediately preceding financial period, after deducting any provision for preference dividends.

Loss per ordinary share for the period based on net loss attributable to shareholders:-

Description	3 months ended	
	1QFY2020	1QFY2019
LPS (based on consolidated net profit/(loss) attributable to owners):-		
a) Based on the weighted average no. of ordinary shares in issue (cents)	(2.20)	(0.21)
b) On a fully diluted basis (cents)	(2.20)	(0.21)
Weighted average no. of shares in issue during the period used in the computing of LPS	109,282,221 ⁽¹⁾	111,030,555 ⁽²⁾
Weighted average no. of shares on fully diluted basis during the period used in the computing of LPS	109,282,221 ⁽¹⁾	111,152,359 ⁽²⁾

Notes:

- (1) The figures are computed taking into account the potential ordinary shares to be issued for the share options granted in September 2014, 2015, 2016 and 2017.
- (2) The figures are computed taking into account the potential ordinary shares to be issued for the share options granted in September 2013, 2014, 2015, 2016 and 2017.

7. Net asset value (for the Company 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

Description	Group		Company	
	31 July 2019	30 April 2019	31 July 2019	30 April 2019
Net asset value per ordinary share based on existing share capital (cents)	50.81	52.24	25.04	25.29
Number of shares at end of the period/year	109,282,221	109,282,221	109,282,221	109,282,221

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.

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 JULY 2019

STATEMENT OF COMPREHENSIVE INCOME REVIEW

Quarter ended 31 July 2019 (“1QFY2020”) vs quarter ended 31 July 2018 (“1QFY2019”)

(i) Revenue

Revenue decreased by approximately S\$1.7 million or 11.4% from S\$14.6 million in 1QFY2019 to S\$12.9 million in 1QFY2020. This was due mainly to lower revenue recorded by Project business segment with fewer projects completed and delivered amounting to approximately S\$2.5 million. This was partially offset by higher revenue of approximately S\$0.9 million from Distribution and After-sales business segments.

(ii) Cost of Sales and Gross Profit Margin

Cost of sales increased by approximately S\$0.3 million or 3.3% from S\$10.2 million in 1QFY2019 to S\$10.5 million in 1QFY2020.

Gross profit decreased by S\$2.0 million or 45.3% from approximately S\$4.4 million in 1QFY2019 to S\$2.4 million in 1QFY2020.

Gross profit margin was lower at 18.6% in 1QFY2020 as compared to 30.2% in 1QFY2019. This was because both Project and Distribution segments recorded certain revenue with high margins in 1QFY2019 whereas in 1QFY2020, margins for both segments were lower due to competition.

(iii) Other Income

Other income increased by approximately S\$0.2 million or 46.4% from S\$0.5 million in 1QFY2019 to S\$0.7 million in 1QFY2020. This was due mainly to:

- i) Write-back of expected credit losses on receivables and contract assets of approximately S\$169,000; and
- ii) Insurance claims of approximately S\$126,000.

The increase was partially offset by decrease in government grant of approximately S\$43,000.

(iv) Distribution Expenses

Distribution expenses decreased by approximately S\$0.1 million or 5.5%, from S\$1.2 million in 1QFY2019 to S\$1.1 million in 1QFY2020. This was due mainly to:

- i) Decreased in staffs cost of approximately S\$29,000;
- ii) Decreased in bank charges of approximately S\$27,000; and
- iii) Decreased in travelling and marketing expenses of approximately S\$19,000.

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 JULY 2019

(v) Administrative Expenses

Administrative expenses decreased by approximately S\$0.3 million or 7.6%, from S\$4.0 million in 1QFY2019 to S\$3.7 million in 1QFY2020. This was due mainly to decrease in depreciation charge of approximately S\$0.4 million and partially offset by increase in:

- i) Impairment losses on quoted equity securities of approximately S\$18,000;
- ii) Donation expenses of approximately S\$12,000; and
- iii) Other miscellaneous expenses of approximately S\$12,000.

(vi) Net Finance costs

Net finance cost increased by approximately S\$0.8 million from S\$3,000 in 1QFY2019 to S\$0.9 million in 1QFY2020. This was due mainly to net foreign exchange loss of approximately S\$0.5 million in 1QFY2020 as compared to net foreign exchange gain of approximately S\$0.3 million in 1QFY2019. The net loss was due to weakening of United State Dollars (“USD”) and Singapore dollars (“SGD”) against Japanese Yen (“JPY”) in 1QFY2020 and vice versa in 1QFY2019.

(vii) Tax Expense

The Group recorded tax expense of approximately S\$4,000 in 1QFY2020 as compared to S\$2,000 in 1QFY2019. This was due mainly to higher tax provision for a subsidiary in 1QFY2020.

STATEMENT OF FINANCIAL POSITION REVIEW

The Group’s shareholders’ funds as at 31 July 2019 stood at S\$55.5 million as compared to S\$57.1 million at the end of the immediate preceding financial year ended on 30 April 2019.

(i) Property, plant and equipment

The decrease in property, plant and equipment of approximately S\$0.9 million was mainly due to depreciation charges during the financial period.

(ii) Intangible assets

Intangible assets comprised of:

- a. Goodwill of approximately S\$9.4 million; and
- b. Customer base and intellectual property rights of approximately S\$0.7 million.

The decrease of S\$0.2 million from S\$10.3 million as at 30 April 2019 to S\$10.1 million as at 31 July 2019 was due to amortisation charged during the financial period.

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(iii) Inventories

Inventories increased by approximately S\$7.2 million, from S\$27.5 million as at 30 April 2019 to S\$34.7 million as at 31 July 2019. The increase is to cater for anticipated market demand.

(iv) Trade and other receivables

Trade and other receivables decreased by approximately S\$5.5 million, from S\$14.6 million as at 30 April 2019 to S\$9.1 million as at 31 July 2019 due mainly to collection during current period.

(v) Trade and other payables

Trade and other payables stood at approximately S\$20.0 million as at 31 July 2019, as compared to S\$23.1 million as at 30 April 2019. The decrease of approximately S\$3.1 million was due mainly to payment of trade bills.

(vi) Loans and borrowings

Loans and borrowings stood at approximately S\$70.3 million as at 31 July 2019, a decrease of approximately S\$0.2 million, from S\$70.5 million as at 30 April 2019. The decrease was due mainly to the repayment of short-term revolving loans and term loans which is partially offset by an increase in usage of trust receipts.

STATEMENT OF CASH FLOW REVIEW

The Group registered net cash used of approximately S\$3.6 million in operating activities in 1QFY2020, as compared to net cash generated from operating activities of approximately S\$3.3 million in 1QFY2019. This was due mainly to:

- (i) Increase in inventories of approximately S\$7.2 million; and
- (ii) Increase payments to trade suppliers of approximately S\$2.1 million.

This was partially offset by a decrease in trade and other receivables.

Net cash generated from investing activities amounted to approximately S\$7.5 million in 1QFY2020. The increase of approximately S\$7.4 million from S\$48,000 in 1QFY2019 was due mainly to maturity of structure deposits in 1QFY2020.

The net cash used in financing activities in current period was approximately S\$0.7 million as compared to S\$5.1 million in prior period. This was mainly due to:

- (i) Lower net settlement of trust receipts and short-term revolving credits in 1QFY2010;
- (ii) Higher capital injection from non-controlling interest in 1QFY2020; and
- (iii) Purchase of treasury shares in 1QFY2019.

In view of the above, overall net increase in cash was approximately S\$3.3 million in 1QFY2020 as compared to net decrease of approximately S\$1.8 million in 1QFY2019.

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

Not applicable.

- 10. Commentary on the significant trends and the 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.**

Oil prices remain volatile as the trade tension stay unresolved while coal prices are lower due to softening demand from major coal-consuming countries. With the outlook still cloudy, market sentiment and confidence level are expected to stay muted.

Despite the uncertainties still looming over the market, the Group will continue to focus on enhancing its core capabilities and deliver its order wins on time and with quality results to customers. Meanwhile, the Group will step up its effort in improving operational efficiency and controlling costs, preparing the Group ahead of opportunities should the market improves.

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

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.**

The Board does not recommend any payment of dividends as the Group has not been profitable for 1QFY2020. The Board wishes to conserve cash so as to ensure sufficiency of funds for its daily business and operational needs as well as to capitalize on any potential business growth and expansion opportunities that might arise.

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- 13. If the Company has obtained a general mandate from shareholders for interested person transactions (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 has not sought a general mandate for interested person transaction(s) from the shareholders.

- 14. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:**

No dividend has been declared/recommended for current financial period and previous financial year reported on.

- 15. Confirmation pursuant to Rule 705(5) of the listing manual.**

The Board of Directors of the Company hereby confirms to the best of its knowledge that nothing has come to its attention which may render the unaudited interim financial results for the three months ended 31 July 2019 to be false or misleading in any material aspect.

- 16. Confirmation pursuant to Rule 720(1) of the listing manual.**

The Company hereby confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7.

BY ORDER OF THE BOARD
Mr. Tan Tin Yeow
Chairman and Managing Director
9 September 2019