

SIN GHEE HUAT CORPORATION LTD

Company Registration No:197700475Z
Incorporated in Singapore



UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

Consolidated Income Statement

| | Group | | Increase/ (Decrease) % |
|--|---------------------|--------------|------------------------------|
| | First quarter ended | | |
| | 30/09/2018 | 30/09/2017 | |
| | S\$'000 | S\$'000 | |
| Revenue | 12,838 | 7,291 | 76 |
| Cost of sales | (9,779) | (5,393) | 81 |
| Gross profit | 3,059 | 1,898 | 61 |
| Other operating income | 111 | 8 | NM |
| Distribution costs | (1,356) | (1,435) | (6) |
| Administrative expenses | (843) | (838) | 1 |
| Other operating expenses | (45) | (205) | (78) |
| Results from operating activities | 926 | (572) | NM |
| Finance income | 76 | 84 | (10) |
| Finance cost | (18) | (37) | (51) |
| Profit/(Loss) before tax | 984 | (525) | NM |
| Tax (expense)/credit | (245) | 49 | NM |
| Net profit/(loss) for the quarter | 739 | (476) | NM |
| Earnings per share | | | |
| Basic (cents) | 0.33 | (0.21) | |
| Diluted (cents) | 0.33 | (0.21) | |

NM: Not meaningful

1(a)(ii) Consolidated Statement of Comprehensive Income

| | Group | | Increase/ (Decrease) % |
|---|----------------------------|-------------------|---------------------------------------|
| | First quarter ended | | |
| | 30/09/2018 | 30/09/2017 | |
| | S\$'000 | S\$'000 | |
| Net profit/(loss) for the quarter | 739 | (476) | NM |
| Other comprehensive income: | | | |
| Foreign currency translation differences arising from consolidation | (50) | 6 | NM |
| Total comprehensive income for the quarter | 689 | (470) | NM |
| Attributable to: | | | |
| Equity holders of the Company | 689 | (470) | NM |
| Total comprehensive income for the quarter | 689 | (470) | NM |

1(a)(iii) Net profit/(loss) for the period has been arrived at after crediting/(charging) the following:

| | Group | |
|---|----------------------------|-------------------|
| | First quarter ended | |
| | 30/09/2018 | 30/09/2017 |
| | S\$'000 | S\$'000 |
| Depreciation of property, plant and equipment | (290) | (245) |
| Foreign exchange gain/(loss), net | 52 | (205) |
| Allowance for inventory impairment, net | (343) | (37) |
| Allowance for doubtful debts, trade | (45) | - |
| Recovery of doubtful debts, trade | 47 | - |

b)(i) *A balance sheet (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 | | | Company | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| | 30/9/2018 | 30/6/2018 | 1/7/2017 | 30/9/2018 | 30/6/2018 | 1/7/2017 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| | | Restated | Restated | | Restated | Restated |
| Non-current assets | | | | | | |
| Property, plant and equipment | 6,267 | 6,546 | 7,651 | 6,067 | 6,322 | 7,322 |
| Investment in subsidiaries | – | – | – | 6,276 | 6,276 | 6,666 |
| Investment in joint venture | – | – | – | 50 | 50 | 50 |
| Other financial assets | 1,000 | 1,001 | 2,038 | 1,000 | 1,001 | 2,038 |
| Deferred tax assets | 325 | 302 | 303 | 246 | 233 | 217 |
| | <u>7,592</u> | <u>7,849</u> | <u>9,992</u> | <u>13,639</u> | <u>13,882</u> | <u>16,293</u> |
| Current assets | | | | | | |
| Inventories | 41,172 | 41,019 | 36,865 | 28,912 | 28,560 | 27,253 |
| Trade and other receivables | 17,089 | 14,399 | 10,233 | 23,057 | 19,845 | 15,839 |
| Other financial assets | – | – | 1,000 | – | – | 1,000 |
| Current tax recoverables | – | – | 15 | – | – | 17 |
| Cash and cash equivalents | 24,449 | 26,274 | 29,737 | 23,069 | 24,508 | 26,929 |
| | <u>82,710</u> | <u>81,692</u> | <u>77,850</u> | <u>75,038</u> | <u>72,913</u> | <u>71,038</u> |
| Total assets | <u>90,302</u> | <u>89,541</u> | <u>87,842</u> | <u>88,677</u> | <u>86,795</u> | <u>87,331</u> |
| Equity attributable to equity holders of the Company | | | | | | |
| Share capital | 45,750 | 45,750 | 45,750 | 45,750 | 45,750 | 45,750 |
| Reserves | (50) | – | – | – | – | – |
| Retained earnings | 39,021 | 38,482 | 38,874 | 39,563 | 38,712 | 39,261 |
| Total equity | <u>84,721</u> | <u>84,232</u> | <u>84,624</u> | <u>85,313</u> | <u>84,462</u> | <u>85,011</u> |
| Current liabilities | | | | | | |
| Trade and other payables | 3,700 | 3,130 | 2,769 | 2,913 | 2,159 | 2,320 |
| Borrowings | 1,418 | 2,004 | 449 | – | – | – |
| Current tax liabilities | 463 | 175 | – | 451 | 174 | – |
| | <u>5,581</u> | <u>5,309</u> | <u>3,218</u> | <u>3,364</u> | <u>2,333</u> | <u>2,320</u> |
| Total liabilities | <u>5,581</u> | <u>5,309</u> | <u>3,218</u> | <u>3,364</u> | <u>2,333</u> | <u>2,320</u> |
| Total equity and liabilities | <u>90,302</u> | <u>89,541</u> | <u>87,842</u> | <u>88,677</u> | <u>86,795</u> | <u>87,331</u> |

1(b)(ii) *Aggregate amount of group's borrowings and debt securities***Amount repayable in one year or less, or on demand (\$'000)**

| <u>As at 30 September 2018</u> | | <u>As at 30 June 2018</u> | |
|--------------------------------|-----------|---------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| - | 1,418 | - | 2,004 |

Amount repayable after one year (\$'000)

| <u>As at 30 September 2018</u> | | <u>As at 30 June 2018</u> | |
|--------------------------------|-----------|---------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| - | - | - | - |

Details of any collateral

Not applicable

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

Consolidated Statement of Cash Flows

| | Group | |
|---|----------------------|----------------------|
| | First quarter ended | |
| | 30/9/2018 | 30/9/2017 |
| | S\$'000 | S\$'000 |
| Cash flows from operating activities | | |
| Profit/(Loss) after income tax | 739 | (476) |
| Adjustments for : | | |
| Depreciation of property, plant and equipment | 290 | 245 |
| Finance income | (76) | (84) |
| Finance cost | 18 | 37 |
| Tax expense/(credit) | 245 | (49) |
| | <u>1,216</u> | <u>(327)</u> |
| Changes in operating assets and liabilities: | | |
| Trade and other receivables | (2,890) | 1,943 |
| Trade and other payables | 570 | (399) |
| Inventories | (153) | (952) |
| Net cash (used in)/from operations | <u>(1,257)</u> | <u>265</u> |
| Income tax refund | 20 | 25 |
| Net cash (used in)/from operating activities | <u>(1,237)</u> | <u>290</u> |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (11) | (27) |
| Proceeds from redemption of debt securities | – | 2,000 |
| Interest received | 76 | 84 |
| Net cash generated from investing activities | <u>65</u> | <u>2,057</u> |
| Cash flows from financing activities | | |
| Interest paid | (17) | (1) |
| Repayment of borrowings | (989) | (449) |
| Proceeds from borrowings | 403 | – |
| Net cash used in financing activities | <u>(603)</u> | <u>(450)</u> |
| Net (decrease)/increase in cash and cash equivalents | <u>(1,775)</u> | <u>1,897</u> |
| Cash and cash equivalents at beginning of the period | 26,274 | 29,737 |
| Effect of exchange rate fluctuations | (50) | 6 |
| Cash and cash equivalents at end of financial period | <u><u>24,449</u></u> | <u><u>31,640</u></u> |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 12,449 | 12,640 |
| Short-term bank deposits | 12,000 | 19,000 |
| | <u><u>24,449</u></u> | <u><u>31,640</u></u> |

- (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.*

Consolidated Statement of Changes in Equity for the Group

| | Share capital S\$'000 | Revaluation reserve S\$'000 | Translation reserve S\$'000 | Retained earnings S\$'000 | Total S\$'000 |
|--|--------------------------|--------------------------------|--------------------------------|------------------------------|------------------|
| Balance as at 1 July 2018 (restated) | 45,750 | – | – | 38,482 | 84,232 |
| Effect on application of SFRS(I) 9, net of tax | – | – | – | (200) | (200) |
| Balance as at 1 July 2018 (restated) | 45,750 | – | – | 38,282 | 84,032 |
| Total comprehensive income for the quarter ended 30 September 2018 | – | – | (50) | 739 | 689 |
| Balance as at 30 September 2018 | 45,750 | – | (50) | 39,021 | 84,721 |
| Balance as at 1 July 2017 (as previously reported) | 45,750 | 2,916 | 80 | 35,726 | 84,472 |
| Effect on adoption of SFRS(I) 1 | – | (2,916) | (80) | 3,148 | 152 |
| Balance as at 1 July 2017 (restated) | 45,750 | – | – | 38,874 | 84,624 |
| Total comprehensive income for the quarter ended 30 September 2017 | – | – | – | (470) | (470) |
| Balance as at 30 September 2017 (restated) | 45,750 | – | – | 38,404 | 84,154 |

Statement of Changes in Equity for the Company

| | Share capital S\$'000 | Revaluation reserve S\$'000 | Retained earnings S\$'000 | Total S\$'000 |
|--|--------------------------|--------------------------------|------------------------------|------------------|
| Balance as at 1 July 2018 (restated) | 45,750 | – | 38,712 | 84,462 |
| Effect on application of SFRS(I) 9, net of tax | – | – | (200) | (200) |
| Balance as at 1 July 2018 (restated) | 45,750 | – | 38,512 | 84,262 |
| Total comprehensive income for the quarter ended 30 September 2018 | – | – | 1,051 | 1,051 |
| Balance as at 30 September 2018 | 45,750 | – | 39,563 | 85,313 |
| Balance as at 1 July 2017 (as previously reported) | 45,750 | 2,916 | 36,193 | 84,859 |
| Effect on adoption of SFRS(I) 1 | – | (2,916) | 3,068 | 152 |
| Balance as at 1 July 2017 (restated) | 45,750 | – | 39,261 | 85,011 |
| Total comprehensive income for the quarter ended 30 September 2017 | – | – | (418) | (418) |
| Balance as at 30 September 2017 (restated) | 45,750 | – | 38,843 | 84,593 |

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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.*

There was no change in the share capital of the Company during the period reported on. There were no outstanding convertibles and treasury shares as at 30 September 2018 and 30 September 2017.

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:*

| | As at 30/09/2018 | As at 30/06/2018 |
|---------------------------|------------------|------------------|
| Number of shares in issue | 222,000,000 | 222,000,000 |

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 report 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 by the auditors.

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.*

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the financial period reported on are consistent with those in the most recently audited financial statements for the financial year ended 30 June 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.*

The Group has adopted the Singapore Financial Reporting Standards (International) ("SFRS(I)") with effect from 1 July 2018, and prepares its first set of financial information under SFRS(I) for the first quarter ended 30 September 2018. In adopting the new framework, the Group is required to apply SFRS(I) on a retrospective basis and the specific transition requirements in SFRS(I) 1 set out below:

(a) The Group has elected the optional exemption to reset the foreign currency translation reserve (FCTR) to \$nil on 1 July 2017 and reclassified the cumulative FCTR of \$80,000 as at 1 July 2017 to retained earnings.

(b) The Group has elected the optional exemption to measure the freehold premises at the date of transition to SFRS(I) at fair value and use that fair value as its deemed cost in its SFRS(I) financial statements. Accordingly, the carrying amount of freehold premises and retained earnings of the Group and the Company as at 1 July 2017 increased by \$152,000.

(c) The balance of the revaluation reserve of \$2,916,000 as at 30 June 2017 relating to the revaluation of the freehold premises was reclassified to retained earnings of the Group and the Company on transition to SFRS(I) at 1 July 2017.

- (d) The Group has applied the exemption in SFRS(I) 1 allowing it not to restate comparative information for the financial year ending 30 June 2019 SFRS(I) financial statements. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings as at 1 July 2018.

The Group has elected to apply the simplified approach and recorded lifetime expected credit loss (ECL) under SFRS(I) 9. Upon application of the ECL model, the impairment for trade and other receivables and other investments (debt securities) of \$200,000, net of tax, was recognised through the retained earnings of the Group and the Company as at 1 July 2018.

The impact of the adoption of SFRS(I) on the affected statement of financial position line items is summarised as follows:

| Group | 30 June 2018 | | | 1 July 2018 | |
|---|------------------|---------------------------------------|----------------------|-------------|----------------------|
| | FRS Framework | Effect of adoption of SFRS(I) 1 | SFRS(I) Framework | SFRS(I) 9 | SFRS(I) Framework |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 6,394 | 152 | 6,546 | – | 6,546 |
| Equity | | | | | |
| Revaluation reserve | 2,916 | (2,916) | – | – | – |
| Foreign currency translation reserve | 100 | (100) | – | – | – |
| Retained earnings | 35,314 | 3,168 | 38,482 | (200) | 38,282 |
| | | | | | |
| | 1 July 2017 | | | | |
| | FRS Framework | Effect of adoption of SFRS(I) 1 | SFRS(I) Framework | | |
| | S\$'000 | S\$'000 | S\$'000 | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 7,499 | 152 | 7,651 | | |
| Equity | | | | | |
| Revaluation reserve | 2,916 | (2,916) | – | | |
| Foreign currency translation reserve | 80 | (80) | – | | |
| Retained earnings | 35,726 | 3,148 | 38,874 | | |

| Company | 30 June 2018 | | | 1 July 2018 | |
|-------------------------------|---------------|---------------------------------|-------------------|-------------|-------------------|
| | FRS Framework | Effect of adoption of SFRS(I) 1 | SFRS(I) Framework | SFRS(I) 9 | SFRS(I) Framework |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 6,170 | 152 | 6,322 | – | 6,322 |
| Equity | | | | | |
| Revaluation reserve | 2,916 | (2,916) | – | – | – |
| Retained earnings | 35,644 | 3,168 | 38,712 | (200) | 38,512 |
| 1 July 2017 | | | | | |
| | FRS Framework | Effect of adoption of SFRS(I) 1 | SFRS(I) Framework | | |
| | S\$'000 | S\$'000 | S\$'000 | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 7,170 | 152 | 7,322 | | |
| Equity | | | | | |
| Revaluation reserve | 2,916 | (2,916) | – | | |
| Retained earnings | 36,193 | 3,068 | 39,261 | | |

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:*

Earnings per Share

| | Group | |
|---|---------------------|-------------|
| | First quarter ended | |
| | 30/09/2018 | 30/09/2017 |
| Earnings per share (cents) | | |
| (a) based on weighted average number of shares in issue | 0.33 | (0.21) |
| (b) on a fully diluted basis | 0.33 | (0.21) |
| Weighted average number of shares in issue | 222,000,000 | 222,000,000 |

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.*

Net Asset Value per Share

| | Group | | Company | |
|---|-------------|---------------------|-------------|---------------------|
| | 30/09/2018 | 30/06/2018 Restated | 30/09/2018 | 30/06/2018 Restated |
| Net asset value per share based on issued share capital (cents) | 38.2 | 37.9 | 38.4 | 38.0 |
| Number of shares in issue | 222,000,000 | 222,000,000 | 222,000,000 | 222,000,000 |

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 and liabilities of the group during the current financial period reported on.*

Consolidated Income Statement for the first quarter ended 30 September 2018

The Group posted a net profit of \$739,000 for the first quarter ended 30 September 2018 (1Q2019) versus the loss of \$476,000 incurred in 1Q2018, the corresponding quarter of the preceding financial year.

As business activities continued to pick up, the Group's revenue rose 76% to \$12.84 million in 1Q2019 compared with \$7.29 million recorded in 1Q2018. The cost of sales and the gross profit increased correspondingly in line with the increase in revenue, notwithstanding the provision of \$343,000 for inventory impairment in the quarter.

Other operating income for 1Q2019 was higher at \$111,000 (1Q2018: \$8,000) mainly due to foreign exchange gain of \$52,000 and recovery of doubtful debts of \$47,000.

Other operating expenses for 1Q2019 mainly comprised an allowance for doubtful debts of \$45,000 whereas other operating expenses for 1Q2018 were attributed to the foreign exchange loss of \$205,000.

Finance income for 1Q2019 was lower at \$76,000 (1Q2018: \$84,000) largely due to reduced short-term bank deposits. Finance cost was lower at \$18,000 (1Q2018: \$37,000) mainly because certain unamortised costs on bond securities were expensed off in 1Q2018 upon redemption whereas there was no similar redemption in 1Q2019.

Tax expense of \$245,000 for 1Q2019 was higher than the standard income tax rate mainly due to non-deductible expenses and unrecognised deferred tax assets.

Statements of Financial Position and Cash Flows

Trade and other receivables were higher at \$17.09 million (30 June 2018: \$14.40 million) largely due to higher prepayments to suppliers for inventories purchased. Trade and other payables were higher at \$3.70 million (30 June 2018: \$3.13 million) mainly due to timing of payment to suppliers.

Borrowings were lower at \$1.42 million (30 June 2018: \$2.00 million) on a net basis due to repayment during the quarter.

Net cash used in operations was a negative of \$1.26 million for 1Q2019 mainly due to the higher prepayments to suppliers.

Net cash from investing activities was lower at \$65,000 (1Q2018: \$2.06 million) largely because there was a bond redemption of \$2.00 million in 1Q2018 but none in 1Q2019.

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

Business activities continued to pick up along with increased demand for stainless steel products as anticipated.

10. *A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.*

The demand for our products continues to increase in tandem with the pickup in business activities. However, volatility in oil price and the ongoing trade war might affect our business demand. We will remain mindful of the above developments.

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

(e) The date on which Registrable Transfers received by the company will be registered before entitlements to the dividend are determined:

Not applicable

12. *If no dividend has been declared (recommended), a statement to that effect.*

No dividend has been declared or recommended for the quarter ended 30 September 2018.

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 Company does not have any general mandate from shareholders pursuant to Rule 920.

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

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

Confirmation by Directors

Pursuant to Rule 705(5) of the Listing Manual, we, the undersigned, on behalf of the Board of Directors of the Company, confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the first quarter ended 30 September 2018 to be false or misleading in any material aspect.

Kua Ghim Siong
Chief Executive Officer

Kua Peng Chuan
Director

BY ORDER OF THE BOARD

Kua Ghim Siong
Chief Executive Officer

8 November 2018