

Half Year Financial Statement And Dividend Announcement For The Period Ended 30-06-2020

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

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2020

	Note	Group		
		6 Months Ended		
		30-Jun-20	30-Jun-19	Change
		S\$'000	S\$'000	%
Revenue		24,304	21,971	10.62%
Cost of sales		(17,669)	(16,495)	7.12%
Gross profit		6,635	5,476	21.17%
Other operating income		1,040	718	44.85%
Distribution expenses		(943)	(635)	48.50%
Administrative expenses		(4,550)	(4,362)	4.31%
Impairment losses on financial assets		(77)	(48)	60.42%
Other operating expenses		(291)	(288)	1.04%
Share of result of associate		(74)	315	NM
Finance costs		(709)	(653)	8.58%
Profit before income tax		1,031	523	97.13%
Income tax expense		(392)	(279)	40.50%
Profit for the year	(i)	639	244	161.89%
Attributable to:				
Owners of the Company		(177)	13	NM
Non-controlling interests		816	231	253.25%
		639	244	161.89%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020

	Group		
	30-Jun-20	30-Jun-19	Change
	S\$'000	S\$'000	%
Profit for the period	639	244	161.89%
Other comprehensive Profit/(Loss), after tax:			
Exchange differences on translation of foreign operations	933	(93)	NM
Other comprehensive income/(loss) for the period, net of tax	933	(93)	NM
Total comprehensive profit for the period	1,572	151	941.06%
Total comprehensive Profit/(Loss) attributable to:			
Owners of the Company	474	(23)	NM
Non-controlling interests	1,098	174	531.03%
	1,572	151	941.06%

NM: Not meaningful

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020 (cont'd)

Note

(i) Profit for the period is arrived at after charging/(crediting) the following:

	Group		
	30-Jun-20	30-Jun-19	Change
	S\$'000	S\$'000	%
Impairment losses on financial assets - trade receivables	77	48	60%
Amortisation of intangible assets	941	600	57%
Amortisation of government grant	(35)	(35)	0%
Depreciation of property, plant and equipment	609	734	(17%)
Depreciation of right-of use assets	129	4	3%
Finance costs	709	653	9%
Government subsidy	(332)	(54)	515%
Interest income	(21)	(11)	91%
Gain on disposal of plant and equipment	(2)	-	NM
Written off of property, plant and equipment	-	4	-
Foreign currency exchange adjustment (gain)/loss - net	(35)	143	NM
Fair value gain on derivative of financial assets (unrealised)	(4)	(5)	(20%)

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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 AS AT 30 JUNE 2020

	Group		Company	
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets:				
Cash and bank balances	11,674	10,989	2,456	2,421
Trade receivables	12,461	12,493	-	-
Other receivables	7,065	6,708	368	185
Prepayments	235	184	69	36
Amount due from subsidiaries	-	-	13,370	12,968
Inventories	19,458	17,742	-	-
Assets classified as held for sale	687	665	-	-
Total current assets	51,580	48,781	16,263	15,610
Non-current assets:				
Property, plant and equipment	24,107	24,342	5	-
Right-of-use assets	4,105	3,919	-	-
Goodwill	497	497	-	-
Intangible assets	34,724	33,374	1,866	2,036
Investment in subsidiaries	-	-	27,619	29,025
Investment in associates	10,586	10,654	-	-
Club membership	190	190	190	190
Refundable deposits	864	853	-	-
Deferred tax assets	3	3	-	-
Total non-current assets	75,076	73,832	29,680	31,251
Total assets	126,656	122,613	45,943	46,861
LIABILITIES AND EQUITY				
Current Liabilities:				
Bank loans	8,390	7,641	2,271	1,477
Government loan	10	10	-	-
Leases liabilities	150	128	-	-
Bills payables	7,409	7,577	-	-
Trade payables	2,561	3,115	-	-
Other payables and accruals	10,271	10,009	712	994
Provision for income tax	856	947	-	-
Amount due to subsidiaries and associate	1,414	259	-	120
Financial derivative liabilities	-	4	-	-
Total current liabilities	31,061	29,690	2,983	2,591
Non-current liabilities				
Bank loans	17,338	15,269	-	171
Government loan	590	574	-	-
Leases liabilities	2,894	2,817	-	-
Other payables and accruals	604	631	-	-
Deferred government grants	1,591	1,591	-	-
Deferred tax liabilities	1,209	1,205	-	-
Total non-current liabilities	24,226	22,087	-	171
Capital, reserves and non-controlling interests				
Share capital	38,776	38,776	38,776	38,776
Treasury Shares	(470)	(470)	(470)	(470)
Reserves	20,649	21,040	4,654	5,793
Equity attributable to owners of the Company	58,955	59,346	42,960	44,099
Non-controlling interests	12,414	11,490	-	-
Total equity	71,369	70,836	42,960	44,099
Total liabilities and equity	126,656	122,613	45,943	46,861

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

	Group	
	As At	
	30-Jun-20	31-Dec-19
	S\$'000	S\$'000
Amount repayable in one year or less, or on demand:-		
Secured	13,678	13,869
Unsecured	2,271	1,477
Sub-Total	15,949	15,346
Amount repayable after one year		
Secured	20,232	17,915
Unsecured	-	171
Sub-Total	20,232	18,086
Total borrowings and debt securities	36,181	33,432

Details of any collateral

At 30 June 2020 and 31 December 2019, the Group's secured borrowings consist of bank overdrafts, bank loans, leases liabilities and bills payable.

At 30 June 2020, bank loans of S\$10.01 million (31 December 2019: S\$10.39 million) was secured by a charge over a property of a subsidiary. In addition, bank loans of S\$7.01 million (31 December 2019: S\$6.95 million) was secured by a charge over three pieces of vacant land, a property and machineries and equipments of a subsidiary.

At 30 June 2020, bank overdrafts, bills payable and remaining bank loans of S\$16.89 million (31 December 2019: S\$14.45 million) was secured by corporate guarantee of the Company.

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- 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.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2020

	Note	Group	
		6 Months Ended	
		30-Jun-20	30-Jun-19
		S\$'000	S\$'000
Cash flows from operating activities:			
Profit before income tax:		1,031	523
Adjustments for:			
Impairment losses on financial assets - trade receivables		77	48
Amortisation of intangible assets		941	600
Amortisation of government grant		(35)	(35)
Depreciation of property, plant and equipment		609	734
Depreciation of right-of use assets		129	4
Finance costs		709	653
Gain on disposal of property, plant and equipment		(2)	-
Interest income		(21)	(11)
Fair value gain on derivative of financial assets (unrealised)		(4)	(5)
Unrealised foreign exchange (gain)/loss		(35)	143
Written off of property plant and equipment		-	4
Share of result of associates		74	(315)
Operating cash flow before working capital changes		3,473	2,343
Trade receivables		43	(659)
Other receivables		(419)	1,840
Inventories		(1,716)	909
Trade payables		(554)	(113)
Other payables		235	2,075
Repayment of bills payables, net		(168)	(665)
Cash flows generated from operations		894	5,730
Interest paid		(709)	(653)
Interest income received		21	11
Income taxes paid		(479)	(200)
Net cash flows (used in)/generated from operating activities		(273)	4,888
Cash flows from investing activities:			
Proceeds on disposal of property, plant and equipment		52	1
Additions to intangible assets		(1,638)	(985)
Purchase of property, plant and equipment		(345)	(23)
Increase/(Decrease) in amount due to associate		1,155	(565)
Proceed from disposal of Subsidiary		-	4
Net cash flows used in investing activities		(776)	(1,568)

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2020 (cont'd)

	Note	Group	
		6 Months Ended	
		30-Jun-20	30-Jun-19
		S\$'000	S\$'000
Cash flows from financing activities:			
Proceeds from loans and borrowings		5,118	1,268
Repayment of loans and borrowings		(2,601)	(2,069)
Proceed/(Repayment) of obligations under leases liabilities		99	(116)
Dividends paid		(1,039)	-
Net cash flows generated from/(used in) financing activities		1,577	(917)
Net increase in cash and cash equivalents		528	2,403
Cash and cash equivalents at the beginning of the period		10,989	5,468
Effect of exchange rate changes on the balance of cash held in foreign currencies		157	(101)
Cash and cash equivalents at the end of the period	(1)	11,674	7,770

	30-Jun-20	30-Jun-19
	S\$'000	S\$'000
Cash and bank balances	11,674	7,770
	11,674	7,770

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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.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020

	Share Capital	Treasury shares	Currency Translation Reserve	Reserve Fund	Share Options Reserve	Retained Earnings	Attributable To Owners Of The Company	Non-Controlling Interests	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group									
Balance as at 1 January 2019	36,131	(470)	(504)	1,070	580	18,421	55,228	6,046	61,274
Disposal of subsidiary	-	-	-	-	-	4	4	-	4
Total comprehensive income/(loss) for the period	-	-	(36)	-	-	13	(23)	174	151
Balance as at 30 June 2019	36,131	(470)	(540)	1,070	580	18,438	55,209	6,220	61,429
Balance as at 1 January 2020	38,776	(470)	(1,033)	2,098	523	19,452	59,346	11,490	70,836
Dividend paid	-	-	-	-	-	(865)	(865)	(174)	(1,039)
Transfer of employee share option	-	-	-	-	(6)	6	-	-	-
Total comprehensive income/(loss) for the period	-	-	651	-	-	(177)	474	1,098	1,572
Balance as at 30 June 2020	38,776	(470)	(382)	2,098	517	18,416	58,955	12,414	71,369

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STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020 (cont'd)

	Share Capital	Treasury shares	Share Options Reserve	Retained Earnings	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Company					
Balance as at 1 January 2019	36,131	(470)	580	6,638	42,879
Total comprehensive loss for the period	-	-	-	(101)	(101)
Balance as at 30 June 2019	36,131	(470)	580	6,537	42,778
Balance as at 1 January 2020	38,776	(470)	523	5,270	44,099
Dividend paid	-	-	-	(865)	(865)
Transfer of employee share option	-	-	(6)	6	-
Total comprehensive loss for the period	-	-	-	(274)	(274)
Balance as at 30 June 2020	38,776	(470)	517	4,137	42,960

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- 1 (d)(ii) Details of any changes in the company's share capital arising from right 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 year 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 year 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 year reported on and as at the end of the corresponding period of the immediately preceding financial year.

SHARE CAPITAL

	Number of Shares	Share Capital
	'000	S\$'000
Balance as at 1 January 2020 292,733,000 ordinary shares	292,733	38,776
Less: Treasury Share	(4,202)	(470)
Balance as at 30 June 2020 288,530,874 ordinary shares	288,531	38,306

Company has treasury shares of 4,202,100 shares at S\$470,376 as at 30 June 2020 (30 June 2019: 4,202,100 shares at S\$470,376). The number of shares that may be issued on conversion of all share options outstanding as at 30 June 2020 was 11,977,500 (as at 30 June 2019: 10,632,000).

Company has nil subsidiary holdings as at 30 June 2020 (30 June 2019: Nil).

- 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.

Please refer to item 1(d)(ii) above.

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

There are no sales or transfers, cancellation and/or use of treasury shares between 1 January 2020 and 30 June 2020.

- 1 (d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial year reported on.

Not applicable.

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

The figures have not been audited nor reviewed by our auditors.

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

Not applicable.

- 3 (a) Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion, the financial statements have been adequately disclosed.

(a)(i) update on the efforts taken to resolve each outstanding audit issue,

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

Not applicable.

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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 Group and Company have adopted the same accounting policies and methods of computation for the current financial period as those applied in the financial year ended 31 December 2019 except for the adoption of new and revised accounting standards (including its consequential amendments) and interpretations applicable for the period year beginning 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.

During the current financial period, the Group adopted the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from financial year beginning 1 January 2020.

The following standards are relevant to the Group:

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 Jan 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 Definition of Material	1 Jan 2020
Amendments to SFRS(I) 3 Definition of a Business	1 Jan 2020

The adoption of the above SFRS(I)s did not have any significant impact on the financial statements.

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

EARNING PER ORDINARY SHARE

	Group		
	30-Jun-20	30-Jun-19	Change %
Earnings/(Loss) per ordinary share for the period based on net (loss)/profit attributable to the equity holders of the Company			
(i) Based on weighted average number of ordinary shares (in cents)	(0.06)	0.01	NM
- Weighted average number of shares	288,530,874	244,770,900	17.88%
(ii) On a fully diluted basis (in cents)	(0.06)	0.01	NM
- Adjusted weighted average number of shares	288,530,874	244,770,900	17.88%

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 year reported on; and (b) immediately preceding financial year

	Group			Company		
	As At		Change %	As At		Change %
	30-Jun-20 Cents	31-Dec-19 Cents		30-Jun-20 Cents	31-Dec-19 Cents	
Net asset backing per ordinary share based on the existing issued share capital as at the end of the period	20.43	23.30	(12.30%)	14.89	17.31	(14.00%)

The net asset value per ordinary share is based on 288,530,874 (2019: 254,721,798) shares at the end of each period.

- 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 year 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 year reported on.**

The Group's revenue for the period ended 30 June 2020 increased 10.62% from S\$21.97 million to S\$24.30 million. The increase in group revenue of S\$2.33 million was mainly attributable to significantly higher sales amounting to S\$4.72 million generated by steel trading business from its main markets in Korea and India. Additionally, higher revenue achieved by industrial cum municipal wastewater treatment business which is under the environmental division, was attributable to improved treatment utilisation rate and demand following the completion of two expansion projects in the 4th quarter of 2019. However, the increase in revenue was partially offset by lower revenue derived from distribution of steel business in Singapore and manufacturing of steel flanges business in Malaysia amounting to S\$3.43 million and S\$0.90 million respectively. This was due to the negative impact of the Circuit Breaker measures imposed by the Singapore government and the Movement Control Operation imposed by the Malaysia government to curb the spread of COVID 19 during the 2nd quarter of 2020.

Gross profit increased by S\$1.16 million or 21.17% for the period ended 30 June 2020. The increase in gross profit and gross profit margin from 24.92% to 27.30% were predominantly attributable to better operating results derived from industrial cum municipal wastewater treatment business amounting to S\$1.43 million which were boosted by better demand, utilisation rate and economies of scale for its newly set up plants, coupled with improved water tariff and government offtake guarantee according to the existing Build-Own-Transfer ("BOT") agreement. However, the increase was partly offset by lower gross profit derived from distribution of steel business and manufacturing of steel flanges business which were in tandem with the decreased turnover.

The increase in other operating income by S\$0.32 million or 44.85% was mainly attributable to job support scheme, foreign worker levy rebate and subsidy in manpower costs provided by the Singapore government to support business operations during the COVID-19 pandemic.

The Group's distribution expenses increased by S\$0.31 million or 48.50% as compared to the prior period. The increase was caused by higher steel trading business related costs such as freight, commission and packing expenses incurred to support the increased revenue.

Administrative expenses increased by S\$0.19 million or 4.31% mainly due to higher payroll related cost.

Impairment losses on financial assets – trade receivables increased by S\$0.03 million or 60% from S\$0.05 million to S\$0.08 million due to increase in bad debts.

As a result of lesser Engineering, Procurement and Construction ("EPC") projects secured and delivered during the lock down period in People's Republic of China ("PRC"), share of results of associate mainly from the rural wastewater treatment business decreased from profit of S\$0.32 million in June 2019 to a loss of S\$0.07 million in June 2020.

Finance costs increased by S\$0.06 million from S\$0.65 million to S\$0.71 million which was attributed to the increase in borrowings.

Amortisation of intangible assets increased by S\$0.34 million from S\$0.60 million to S\$0.94 million mainly due to expansion of industrial cum municipal wastewater treatment plant. The Group's profit after tax for the period ended 30 June 2020 was S\$0.64 million as compared to S\$0.24 million recorded in the prior period. The improvement of the operating results was mainly due to the higher sales and gross profit contributed from its industrial cum municipal wastewater business under the environmental division and trading of steel business for the Korean and Indian market under the distribution division, as well as higher operating income recognised in relation to subsidies given by the government during the COVID 19 pandemic.

After a final allocation of profit to minority shareholders of non-fully owned subsidiaries especially from environmental division and full share of the weakened results from distribution of steel business under distribution division, the Group's loss attributable to owners of the company for the period ended 30 June 2020 was S\$0.18 million as compared to S\$0.01 million profit achieved in prior period.

The total liabilities of the Group increased by S\$3.51 million from S\$51.78 million as at 31 December 2019 to S\$55.29 million as at 30 June 2020. The increase was due mainly to higher bank loans amounting to \$2.82 million required for working capital purposes. The Group's net gearing ratio increased from 0.38 times as at 31 December 2019 to 0.42 times as at 30 June 2020. Moreover, the increase in amount due to associate of S\$1.16 million resulted from the expansion wastewater projects undertaken by our associate contractor. However, the increase in total liabilities was partially offset by scheduled repayment made for bill payables and trade payables amounting to S\$0.17 million and S\$0.55 million respectively.

The current assets of the Group increased by S\$2.80 million from S\$48.78 million as at 31 December 2019 to S\$51.58 million as at 30 June 2020. The increase was mainly attributed to the rise in inventory amounting to S\$1.72 million pending the fulfilment of project sales delivery in the 2nd half of 2020. In addition, a higher cash and bank balances of S\$0.69 million was a result of the management's conscious efforts to preserve cash during this crisis period. The increase in other receivables from S\$6.71 million to S\$7.07 million was mainly due to advance payment to the supplier and goods & service input tax refundable from the tax authorities. Debtor turnover increased slightly from 96 days as at 31 December 2019 to 99 days as at 30 June 2020.

The non-current assets of the Group increased by S\$1.24 million from S\$73.83 million as at 31 December 2019 to S\$75.08 million as at 30 June 2020. The increase was mainly attributed to acquisition of right-of-use assets ("ROU") and intangible assets from expansion of industrial cum municipal wastewater treatment plant amounting to S\$0.19 million and S\$1.35 million respectively. The increase in non-current assets was partially offset by the decrease in property, plant and equipment due to additional depreciation charge.

The Group maintained a healthy and positive working capital of S\$20.52 million or current ratio of 1.66 times with current assets of S\$51.58 million and current liabilities of S\$31.06 million as at 30 June 2020.

The cash and cash equivalents as at 30 June 2020 increased by S\$0.53 million to S\$11.67 million. The increase of S\$1.58 million was mainly due to positive cash flows generated from net loan borrowings of S\$2.52 partly offset by dividend payment amounting to S\$1.04 million under financing activities. Investing activities have generated a negative cash flow of S\$0.78 million due to the purchase of intangible assets and property, plant and equipment for the plants expansion in industrial cum municipal wastewater treatment business and partially offset by the increase in amount due to associate as a result of expansion of industrial cum municipal wastewater treatment plant where our associate is also our EPC contractor. Operating activities have also generated negative cash flows amounting to S\$0.27 million in the current period as a result of more cash being used in the purchase of inventory, payment of trade payables, interest expense and income tax.

Group's net asset per share as at 30 June 2020 was 20.43 cents and weighted average Loss Per Share was 0.06 cents.

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

Not applicable.

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 COVID-19 pandemic has caused an unavoidable recession of the global economy, and Singapore, as an export oriented and open economy country, was no exception. Recent release by Ministry of Trade and Industry ("MTI") stipulated that Singapore's economy shrank by 12.6% year-on-year in the 2nd quarter of 2020 mainly due to the disruptions caused by the circuit breaker measures. This has pushed Singapore into a technical recession. Expectation of higher retrenchment rate and more closure of businesses in the next half year further dampens the current business confidence, consumption habit and investment of capex in major industries. In the midst of the unprecedented global pandemic, operating business conditions over the next 12 months are expected to be extremely volatile and uncertain. Before an effective vaccine becomes available to fully revive the business confidence and normal business operations, businesses have to remain vigilant and flexible, and be able to adapt to the new normal in order to survive. We are extremely cautious in navigating our businesses through this storm with two key strategies, i.e. capturing of mid to long term business opportunities capitalising on our core strengths, and effective cost and cash management. The management believes that such prudent expansionary strategies in our core businesses during this downturn will bring value to our stakeholders in the long run.

Steel Distribution and Manufacturing Business:

The Group's steel piping distribution business is the stockist business which has been operating in Singapore for almost 43 years. This business is complimented by our capability to manufacture forged steel flanges in-house in Malaysia, and the collaborative arrangement on the supply of valves with the principal overseas partners, as well as the trading of flat steel products business set up recently to widen the range of products supply. These unique core strengths enhance the competitive advantage of the Group's distribution and manufacturing business in the local and international markets. In addition, the management is also continuously allocating more resources to secure more steel supply related projects in the existing market.

The recent strategic disposal of our manufacturing plants in Malaysia has enabled us to operate our manufacturing business with a sustainable assets-light business model. The proceeds from the disposal, which is expected to be received by February 2022, will enhance the Group's cash flow position and allow the Group to take up new investments when the opportunities arise.

Environmental Business:

The industrial cum municipal wastewater treatment division is more resilient to crisis due to the BOT or Build-Own-Operate ("BOO") and concession rights arrangements with the local government in PRC. The step-up acquisitions announced on 17 July 2020 and 24 May 2019 in the existing wastewater treatment plants allow the Group to enjoy a bigger share of profits in this business. Continuous upgrading in these plants is expected in the 2nd half of this year, as requested by the local government in PRC in line with their pro-environmental policy.

The rural wastewater treatment division is currently facing tough competition due to its non-recurring EPC business nature. Nevertheless, the breakthrough of maiden Public-Private-Partnership ("PPP") project secured in 2018, which is expected to start generating profit in the 4th quarter of 2020. The Group is continuously in search for more EPC projects going forward.

The hazardous wastewater treatment division is growing stronger amidst the current headwinds situation. We managed to secure more EPC projects in Singapore and PRC this year, which were partly driven by the new and more stringent water treatment requirements from the respective authorities in their efforts to control the pandemic.

We will constantly build a resilient team in both the Singapore and PRC markets and perform intensive marketing to promote our core competencies in water treatment business.

Impact of COVID-19 on our Businesses

COVID-19 has impacted customers of the Group, who may be unable to perform contractual obligations in payment due to physical restrictions in operations and short term financial difficulties. Our Company extends its assistance to selective customers where possible, from not insisting on strict legal rights in collection when fall due and allow for certain reasonable extension of time. Customers know well that when such support for them are given through good and bad times, they will support us when things turn around. From the supply perspective, our Company also faces some difficulties in getting supplies on time as most of our supplies are from countries which have been in lockdown or experienced business disruptions. Thus, a more flexible and well-planned procurement policies are implemented to ensure that our stocks are adequately available in Singapore and Malaysia. In the near-term, some sectors which depend heavily on foreign labours in Singapore are affected by travel restrictions and shortage of manpower to curb the spread of COVID-19. This manpower disruption will ultimately affect our completion of certain EPC contracts in Singapore. The management is in proactive discussion with its main contractor to discuss a reasonable extension of time based on current manpower situation.

COVID-19 Measures

As Singapore has moved into Phase 2 of reopening, the management is determined to adhere strictly to the guidelines issued by the government, which include allowing employees to work from home as much as possible, conducting meetings virtually, observing safe-distancing in office and factories, imposing ban and restrictions on unnecessary business travels and etc. Our previous strategy to locally source the key team members of our businesses in PRC, Korea and Malaysia has enabled the daily operations of our overseas businesses to run smoothly during this crisis without the physical presence of any personnel from Singapore head office. The management will closely monitor the COVID-19 situation in Singapore and the markets that we are currently present. As a socially responsible company, we will continuously adapt and adhere to any new requirements and guidelines imposed by the respective governments.

Note

* https://www.mti.gov.sg/Newsroom/Press-Releases/2020/07/Singapore-GDP-Contracted-by-12_6-Per-Cent-in-the-Second-Quarter-of-2020

11 If a decision regarding dividend has been made.**(a) Whether an interim (final) dividend has been declared (recommended); and**

None

(b)(i) Amount per share in cents.

Not applicable.

(b)(ii) Previous corresponding period in cents.

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00pm) 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 and the reason(s) for the decision.

No dividend has been declared or recommended after taking into consideration the Group's capital commitment plan and its cash flow requirements.

ANNAIK LIMITED

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- 13 If the Group has obtained a general mandate from shareholders for interested persons transactions (“IPT”), 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 from shareholders.

- 14 General- Disclosure of the status on the use of proceeds raised from The Rights cum Warrants issue. to Chapter 8.**

	Allocation S\$'000	Total utilization as at 14 August 2020 S\$'000	Balance S\$'000
Undertake potential investment in distribution and environmental business	1,680	-	1,680
Working capital requirement	701	(500)*	201
Repayment of bank borrowings	265	(265)	-
Total	2,646	(765)	1,881

The Board confirmed that the proceeds has been used in accordance to the percentage allocated in the circular to shareholder dated 11 July 2019.

Note

*S\$500,000 relates to settlement of Trust receipts for purchase of inventories.

- 15 Negative Confirmation by the Board pursuant to Rule 705(5).**

On behalf of the Board of Directors, we hereby confirm that, to the best of our knowledge, nothing has come to the attention of the board of directors of AnnAik Limited which may render the financial statements for the first half of 2020 financial results to be false or misleading in any material aspect.

- 16 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).**

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

- 17 Disclosure pursuant to Rule 706A of the Listing Manual**

During the first half of 2020 financial results and as at the date of this announcement, there were no changes to the Company's and the Group's shareholding percentage in its respective subsidiaries or associated companies nor incorporation of any new subsidiary or associate by the Company or any of the Group's entities.

On behalf of the Board of Directors

Benjamin Ow Eei Meng
Executive Director

Ng Kim Keang
Executive Director

14 August 2020

This announcement has been reviewed by the Company's Sponsor, Hong Leong Finance Limited. It has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Ms Vera Leong, Vice President, Hong Leong Finance Limited, at 16 Raffles Quay, #01-05 Hong Leong Building, Singapore 048581, telephone (+65) 6415 9881.