

**OLD CHANG KEE LTD.**  
(Company Registration No.: 200416190W)  
(Incorporated in the Republic of Singapore on 16 December 2004)

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT  
FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2019**

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

**1(a)(i) 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 statement of comprehensive income**

	The Group			The Group		
	2Q2020 S\$'000	2Q2019 S\$'000	+ / (-) %	1H2020 S\$'000	1H2019 S\$'000	+ / (-) %
<b>Revenue</b>	22,938	23,423	(2.1)	44,616	45,748	(2.5)
Cost of sales	(8,351)	(8,482)	(1.5)	(16,300)	(16,370)	(0.4)
<b>Gross profit</b>	14,587	14,941	(2.4)	28,316	29,378	(3.6)
<b>Other items of income</b>						
Interest income on short term deposits	29	16	81.3	52	27	92.6
Other income	308	281	9.6	480	449	6.9
<b>Other items of expenses</b>						
Selling and distribution expenses	(10,034)	(9,722)	3.2	(19,432)	(19,112)	1.7
Administrative expenses	(3,086)	(3,370)	(8.4)	(6,071)	(6,512)	(6.8)
Interest expenses						
borrowings	(63)	(82)	(23.2)	(152)	(160)	(5.0)
leases	(175)	-	NM	(346)	-	NM
Other expenses	(349)	(575)	(39.3)	(781)	(963)	(18.9)
<b>Profit before tax and share of results of joint venture</b>	1,217	1,489	(18.3)	2,066	3,107	(33.5)
Share of results of joint venture	(69)	(154)	(55.2)	(143)	(198)	(27.8)
<b>Profit before tax</b>	1,148	1,335	(14.0)	1,923	2,909	(33.9)
Income tax expense	(187)	(315)	(40.6)	(369)	(638)	(42.2)
<b>Profit for the period</b>	961	1,020	(5.8)	1,554	2,271	(31.6)
<b>Other comprehensive income</b>						
Exchange differences on translating foreign operations	8	50	(84.0)	45	54	(16.7)
<b>Other comprehensive income for the period, net of tax</b>	8	50	(84.0)	45	54	(16.7)
<b>Total comprehensive income for the period, attributable to owners of the Company</b>	969	1,070	(9.4)	1,599	2,325	(31.2)

**1(a)(ii) Notes to consolidated statement of comprehensive income**

1. Profit before tax is arrived at after charging/(crediting) the following:

	The Group			The Group		
	2Q2020	2Q2019	+/( -)	1H2020	1H2019	+/( -)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Amortisation of intangible assets	18	16	12.5	35	31	12.9
Depreciation of property, plant and equipment	1,288	1,313	(1.9)	2,556	2,663	(4.0)
Depreciation of right-of-use assets	2,391	-	NM	4,616	-	NM
Interest income from short-term deposits	(29)	(16)	81.3	(52)	(27)	92.6
Interest expense from borrowings	63	82	(23.2)	152	160	(5.0)
Interest expense from amortisation of lease liabilities	175	-	NM	346	-	NM
Loss in foreign exchange, net	14	112	(87.5)	110	133	(17.3)
Property, plant and equipment written off	-	110	NM	-	112	NM
Gain on disposal of property, plant and equipment	-	(39)	NM	(10)	(83)	(88.0)

NM. Not meaningful

2. The major components of taxation comprise:

	The Group			The Group		
	2Q2020	2Q2019	+/( -)	1H2020	1H2019	+/( -)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Current income tax						
-Current income taxation	297	325	(8.6)	560	704	(20.5)
Deferred income tax						
-Movement in temporary differences	(110)	(10)	NM	(191)	(66)	NM
Taxation recognised in the consolidated statement of comprehensive income	187	315	(40.6)	369	638	(42.2)

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.**

	The Group		The Company	
	30-09-2019	31-03-2019	30-09-2019	31-03-2019
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-Current Assets</b>				
Property, plant and equipment	27,262	28,453	-	-
Right-of-use assets	18,619	-	-	-
Intangible assets	221	228	-	-
Investment in subsidiary companies	-	-	5,640	5,640
Investment in unquoted shares	234	234	234	234
Investment in joint venture	17	160	537	537
Long term deposits	2,480	2,568	-	-
	48,833	31,643	6,411	6,411
<b>Current Assets</b>				
Inventories	1,340	1,097	-	-
Trade and other receivables	328	336	-	-
Deposits	1,063	756	-	-
Prepayments	1,237	1,013	29	41
Amount due from joint venture	762	494	539	282
Amount due from associated companies	184	131	10	-
Amount due from subsidiary companies	-	-	4,145	7,198
Cash and bank balances	12,564	15,447	5,196	4,999
Restricted cash	2,500	-	-	-
	19,978	19,274	9,919	12,520
<b>Current Liabilities</b>				
Trade and other payables	7,630	7,491	1,026	1,843
Other liabilities	178	176	-	-
Provisions	2,476	2,390	58	44
Bank loans	1,206	1,430	-	-
Finance lease liabilities	165	146	-	-
Lease liabilities	9,197	-	-	-
Provision for taxation	1,218	1,321	26	35
	22,070	12,954	1,110	1,922
<b>Net Current (Liabilities)/Assets</b>	(2,092)	6,320	8,809	10,598
<b>Non-Current Liabilities</b>				
Bank loans	7,335	7,748	-	-
Finance lease liabilities	487	502	-	-
Lease liabilities	9,619	-	-	-
Deferred tax liabilities	1,065	1,256	-	-
	18,506	9,506	-	-
<b>Net Assets</b>	<b>28,235</b>	<b>28,457</b>	<b>15,220</b>	<b>17,009</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	13,964	13,964	13,964	13,964
Retained earnings	14,131	14,398	1,256	3,045
Other reserves	140	95	-	-
<b>Total Equity</b>	<b>28,235</b>	<b>28,457</b>	<b>15,220</b>	<b>17,009</b>

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

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

<b>As at 30-09-2019</b>		<b>As at 31-03-2019</b>	
<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
1,371	-	1,576	-

**Amount repayable after one year**

<b>As at 30-09-2019</b>		<b>As at 31-03-2019</b>	
<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
7,822	-	8,250	-

**Details of any collateral**

The Group's borrowings are secured as follows:

1. Bank loans are secured by:

- (i) a first legal mortgage on freehold and leasehold properties owned by the Group's wholly owned subsidiary companies as at 30 September 2019; and
- (ii) corporate guarantee by the Company as at 30 September 2019.

2. Finance lease obligations are secured by the lessors' title to the respective leased assets.

**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.**

	The Group		The Group	
	2Q2020	2Q2019	1H2020	1H2019
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities</b>				
Profit before tax	1,148	1,335	1,923	2,909
Adjustments for:				
Amortisation of intangible assets	18	16	35	31
Depreciation of property, plant and equipment	1,288	1,313	2,556	2,663
Depreciation of right of use assets	2,391	-	4,616	-
Gain on disposal of property, plant and equipment	-	(39)	(10)	(83)
Property, plant and equipment written off	-	110	-	112
Share of results of joint venture	69	154	143	198
Interest expense from borrowings	63	82	152	160
Interest expense from amortisation of lease liabilities	175	-	346	-
Interest income	(29)	(16)	(52)	(27)
Currency realignment	(8)	106	65	120
<b>Operating profit before changes in working capital</b>	<b>5,115</b>	<b>3,061</b>	<b>9,774</b>	<b>6,083</b>
(Increase)/decrease in inventories	(359)	60	(243)	304
(Increase)/decrease in trade and other receivables	(74)	12	8	38
Increase in amount due from associates	(21)	(17)	(53)	(89)
Decrease/(increase) in amount due from joint venture	3	(2)	(11)	(105)
(Increase)/decrease in deposits	(25)	77	(219)	41
Decrease/(increase) in prepayments	81	(101)	(224)	333
(Decrease)/increase in trade and other payables	(416)	(726)	139	(176)
Increase in other liabilities	6	6	2	2
Increase in provisions	16	66	22	68
<b>Cash flows from operations</b>	<b>4,326</b>	<b>2,436</b>	<b>9,195</b>	<b>6,499</b>
Tax paid	(663)	(348)	(663)	(348)
<b>Net cash flows from operating activities</b>	<b>3,663</b>	<b>2,088</b>	<b>8,532</b>	<b>6,151</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(1,000)	(427)	(1,199)	(1,450)
Purchase of intangible asset	-	-	(28)	-
Proceeds from disposal of property, plant and equipment	-	38	10	159
Loan to joint venture	(257)	-	(257)	(179)
Interest received	29	16	52	27
<b>Net cash flows used in investing activities</b>	<b>(1,228)</b>	<b>(373)</b>	<b>(1,422)</b>	<b>(1,443)</b>
<b>Cash flows from financing activities</b>				
Dividends paid	(1,821)	(1,821)	(1,821)	(1,821)
Proceeds from bank loan	-	-	8,482	-
Repayment of finance lease liabilities	(65)	(36)	(116)	(118)
Repayment of lease obligation	(2,308)	-	(4,421)	-
Interest portion of lease liabilities paid	(175)	-	(346)	-
Interest paid	(63)	(82)	(152)	(160)
Repayment of bank loans	(296)	(357)	(9,119)	(715)
Bank deposit pledged	-	-	(2,500)	-
<b>Net cash flows used in financing activities</b>	<b>(4,728)</b>	<b>(2,296)</b>	<b>(9,993)</b>	<b>(2,814)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,293)</b>	<b>(581)</b>	<b>(2,883)</b>	<b>1,894</b>
Cash and cash equivalents at the beginning of the financial period	14,857	15,262	15,447	12,787
<b>Cash and cash equivalents at the end of the financial period</b>	<b>12,564</b>	<b>14,681</b>	<b>12,564</b>	<b>14,681</b>

- 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.

Equity attributable to owners of the Company				
The Group	Share capital	Retained earnings	Foreign currency translation reserve	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance at 01-04-2019</b>	<b>13,964</b>	<b>14,398</b>	<b>95</b>	<b>28,457</b>
Profit for the period	-	593	-	593
<u>Other comprehensive income</u>				
Foreign currency translation	-	-	37	37
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>593</b>	<b>37</b>	<b>630</b>
<b>Balance at 30-06-2019</b>	<b>13,964</b>	<b>14,991</b>	<b>132</b>	<b>29,087</b>
Profit for the period	-	961	-	961
<u>Other comprehensive income</u>				
Foreign currency translation	-	-	8	8
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>961</b>	<b>8</b>	<b>969</b>
<b>Dividends on ordinary shares</b>	<b>-</b>	<b>(1,821)</b>	<b>-</b>	<b>(1,821)</b>
<b>Balance at 30-09-2019</b>	<b>13,964</b>	<b>14,131</b>	<b>140</b>	<b>28,235</b>

Equity attributable to owners of the Company				
The Group	Share capital	Retained earnings	Foreign currency translation reserve	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance at 01-04-2018</b>	<b>13,964</b>	<b>13,701</b>	<b>19</b>	<b>27,684</b>
Profit for the period	-	1,251	-	1,251
<u>Other comprehensive income</u>				
Foreign currency translation	-	-	4	4
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>1,251</b>	<b>4</b>	<b>1,251</b>
<b>Balance at 30-06-2018</b>	<b>13,964</b>	<b>14,952</b>	<b>23</b>	<b>28,939</b>
Profit for the period	-	1,020	-	1,020
<u>Other comprehensive income</u>				
Foreign currency translation	-	-	50	50
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>1,020</b>	<b>50</b>	<b>1,070</b>
<b>Dividends on ordinary shares</b>	<b>-</b>	<b>(1,821)</b>	<b>-</b>	<b>(1,821)</b>
<b>Balance at 30-09-2018</b>	<b>13,964</b>	<b>14,151</b>	<b>73</b>	<b>28,188</b>

- 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.

	Share capital	Retained earnings	Total equity
The Company	S\$'000	S\$'000	S\$'000
<b>Balance at 01-04-2019</b>	<b>13,964</b>	<b>3,045</b>	<b>17,009</b>
Loss for the period	-	(29)	(29)
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(29)</b>	<b>(29)</b>
<b>Balance at 30-06-2019</b>	<b>13,964</b>	<b>3,016</b>	<b>16,980</b>
Profit for the period	-	61	61
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>61</b>	<b>61</b>
Dividends on ordinary shares	-	(1,821)	(1,821)
<b>Balance at 30-09-2019</b>	<b>13,964</b>	<b>1,256</b>	<b>15,220</b>

	Share capital	Retained earnings	Total equity
The Company	S\$'000	S\$'000	S\$'000
<b>Balance at 01-04-2018</b>	<b>13,964</b>	<b>2,169</b>	<b>16,133</b>
Profit for the period	-	2	2
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>2</b>	<b>2</b>
<b>Balance at 30-06-2018</b>	<b>13,964</b>	<b>2,171</b>	<b>16,135</b>
Profit for the period	-	2,253	2,253
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>2,253</b>	<b>2,253</b>
Dividends on ordinary shares	-	(1,821)	(1,821)
<b>Balance at 30-09-2018</b>	<b>13,964</b>	<b>2,603</b>	<b>16,567</b>

- 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 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.**

Ordinary shares

	Number of shares	S\$'000
Issued and fully paid ordinary shares as at 30 September 2019 and 30 June 2019	121,374,700	13,964

There were no treasury shares, subsidiary holdings, outstanding options and/or other convertibles as at 30 September 2019 and 30 September 2018.

- 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 30-09-2019	As at 31-03-2019
Total number of issued shares	121,374,700	121,374,700

- 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.**

Not applicable. There were no treasury shares during and 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.**

Not applicable. There were no subsidiary holdings during and 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 in this announcement have not been audited or reviewed by the Group's auditor.

- 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 Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 March 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 the new and revised Singapore Financial Reporting Standards (International) (“**SFRS(I)**”), which are effective for the financial year beginning 1 April 2019. The impact of adopting the following SFRS(I) which are effective for the financial year beginning 1 April 2019, are detailed as follows:

SFRS(I) 16 – Leases

On the adoption of SFRS(I) 16, the Group has chosen, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 April 2019.

In addition, the Group has elected the following practical expedients:

- (i) not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- (ii) to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 April 2019; and
- (iii) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

On 1 April 2019, the adoption of SFRS(I) 16 has resulted in the recognition of right-of-use assets and lease liabilities of approximately S\$22 million for the Group’s leases previously classified as operating leases.

- 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.**

Basic earnings per ordinary share (“**EPS**”) is computed by dividing the earnings attributable to owners of the Company in each financial period by the weighted average number of ordinary shares in issue during the respective financial periods.

EPS after deducting any provision for preference dividends :-	The Group		The Group	
	2Q2020	2Q2019	1H2020	1H2019
(a) Based on weighted average number of ordinary shares in issue (Singapore cents); and	0.79	0.84	1.28	1.87
(b) On a fully diluted basis (Singapore cents)	0.79	0.84	1.28	1.87

Number of shares used in the respective computations of EPS :-	The Group		The Group	
	2Q2020	2Q2019	1H2020	1H2019
(a) Based on weighted average number of ordinary shares in issue ; and	121,374,700	121,374,700	121,374,700	121,374,700
(b) On a fully diluted basis	121,374,700	121,374,700	121,374,700	121,374,700

The basic and diluted EPS for the financial periods ended 30 September 2019 and 30 September 2018 are the same as there are no potentially dilutive shares in issue as at 30 September 2019 and 30 September 2018.

- 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.**

	The Group		The Company	
	30-09-2019	31-03-2019	30-09-2019	31-03-2019
Net asset value per ordinary share based on total number of issued shares as at the end of the financial period reported on	\$0.23	\$0.23	\$0.13	\$0.14
Total number of issued shares as at the end of the financial period reported on	121,374,700	121,374,700	121,374,700	121,374,700

- 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.**

#### **Revenue**

The Group's revenue decreased from approximately S\$23.4 million for the financial period from 1 July 2018 to 30 September 2018 ("2Q2019") to approximately S\$22.9 million for the period from 1 July 2019 to 30 September 2019 ("2Q2020"), a decrease of approximately S\$485,000 or 2.1%.

Revenue from retail outlets decreased by approximately S\$1.1 million or 4.7% from S\$22.9 million in 2Q2019 to S\$21.8 million in 2Q2020 mainly due to the absence of revenue from closed outlets and a decrease in revenue from existing outlets, partially offset by revenue contribution from new outlets.

The decrease in revenue from retail outlets was offset by an increase in revenue from other services, such as delivery and catering services, which increased by approximately S\$581,000 or 117.1% from S\$496,000 to S\$1.1 million, mainly due to higher delivery and catering revenue.

As at 30 September 2019, the Group operated a total of 90 outlets in Singapore as compared to 89 outlets as at 30 September 2018.

#### **Cost of sales and gross profit**

Cost of sales decreased by approximately S\$131,000 or 1.5% mainly due to lower food cost of approximately 2.1% in line with the decrease in revenue, partially offset by an increase in manpower cost for 2Q2020.

The Group's gross profit decreased by approximately S\$354,000 or 2.4%. The Group's gross profit margin decreased from approximately 63.8% in 2Q2019 to 63.6% in 2Q2020, mainly due to higher manpower cost arising from annual salary adjustment in 2Q2020.

#### **Operating Expenses**

##### Selling and distribution expenses

Selling and distribution ("S & D") expenses increased by approximately S\$312,000 or 3.2% in 2Q2020. S & D expenses in 2Q2020 amounted to approximately 43.7% of revenue as compared to approximately 41.5% of revenue in 2Q2019.

The increase in S & D expenses as a percentage of revenue was largely attributable to:

- (a) an increase in subcontract fees of approximately S\$168,000 in line with the increase in delivery revenue;
- (b) an increase in advertising and promotion expenses of approximately S\$70,000 due to an increase in marketing activities such as product sponsorship for marketing events;
- (c) an increase in packing materials cost of approximately S\$58,000; and

- (d) an increase in S & D depreciation expenses of approximately S\$2.4 million, as the adoption of SFRS(I) 16 resulted in the recognition of lease-related depreciation attributed to the right-of-use assets on the balance sheet, partially offset by
- (e) a decrease in outlet rental expenses of approximately S\$2.4 million due to the adoption of SFRS(I) 16, as lease obligations are now capitalised as right-of-use assets and amortised over the period of lease, instead of being classified as operating rental expenses in the previous period.

#### Administrative expenses

Administrative expenses decreased by approximately S\$284,000 or 8.4%. The decrease in administrative expenses was mainly due to

- (a) a decrease in head office staff costs of approximately S\$61,000 due to lower bonus provision for the period;
- (b) a decrease in legal and professional fees of approximately S\$74,000;
- (c) a decrease in upkeep of computer (including ERP maintenance) and repair and maintenance expenses of approximately S\$48,000; and
- (d) a decrease in travelling and upkeep of motor vehicle expenses of approximately S\$53,000.

#### Other expenses

The decrease in other expenses of approximately S\$226,000 or 39.3% in 2Q2020 was mainly due to:

- (a) a decrease in foreign exchange loss of approximately S\$99,000 pursuant to foreign exchange revaluation for RM-denominated loans to our Malaysian operations in 2Q2020; and
- (b) an absence of assets written off in the current period. In comparison, during 2Q2019, approximately S\$109,000 of assets relating to head office renovation were written off.

As a result of the above, the proportion of total operating expenses compared to revenue increased from 58.3% in 2Q2019 to 58.7% in 2Q2020.

#### **Depreciation and amortisation**

The increase in depreciation and amortisation expenses of approximately S\$2.4 million in 2Q2020 was mainly due to the adoption of SFRS(I) 16. Total depreciation related to the lease liabilities amounted to approximately S\$2.4 million or 10.4% of revenue. Excluding the depreciation for right-of-use assets, total depreciation and amortisation expenses decreased by approximately S\$23,000 for 2Q2020.

#### **Finance costs**

Finance costs increased by approximately S\$156,000 as the adoption of SFRS(I) 16 resulted in the recognition of lease-related interest expenses attributed to the amortisation of the lease liabilities on the balance sheet.

Total interest related to the lease liabilities amounted to approximately S\$175,000, offset by a decrease in borrowing cost of approximately S\$19,000 due to lower refinancing rates.

#### **Share of results of joint venture**

The decrease in the share of operating losses for the joint venture in the United Kingdom ("UK") was mainly due to lower start-up and marketing expenses in 2Q2020, as compared to 2Q2019.

#### **Profit before tax**

The Group's profit before tax decreased from approximately S\$1.3 million in 2Q2019 to approximately S\$1.1 million in 2Q2020, a decrease of approximately S\$187,000 or 14.0%.

## **Taxation**

The Group's taxation expenses decreased by S\$128,000 or 40.6% mainly due to a decrease in profit for the current financial period and lower non tax deductible items for the period.

## **Balance Sheet**

### Non-current assets

The Group's non-current assets increased by approximately S\$17.2 million or 54.3% mainly due to the following:

- (a) recognition of right-of-use assets of S\$18.6 million arising from the adoption of SFRS(I) 16; and
- (b) addition of plant and equipment, motor vehicles and outlet renovation during the period.

The increase in non-current assets was partially offset by:

- (c) depreciation expenses of approximately S\$7.2 million, which comprised depreciation for right-of-use assets and property, plant and equipment of approximately S\$4.6 million and S\$2.6 million respectively;
- (d) share of operating losses for the UK joint venture of approximately S\$143,000 for the 6 months from 1 April 2019 to 30 September 2019 ("1H2020"); and
- (e) a decrease in long term deposits mainly due to reclassification of long term lease deposits to short term lease deposits in accordance with the respective lease tenures, offset by top-up of lease deposit for lease renewals.

### Current assets

The Group's current assets increased by approximately S\$704,000 or 3.7% mainly due to:

- (a) an increase of S\$2.5 million in restricted cash due to placement of a pledged fixed deposit during the period;
- (b) an increase in amount due from joint venture mainly due to working capital loan and product sales to the UK joint venture of approximately S\$257,000 and S\$11,000 respectively;
- (c) an increase in prepayments mainly due to deposits paid to contractors for outlet renovation and purchase of equipment;
- (d) an increase in amount due from associates mainly due to product sales to the Malaysian associated company of approximately S\$53,000; and
- (e) an increase in inventories mainly due to bulk purchase of finished products.

The increase in current assets was partially offset by a decrease in cash and bank balances of approximately S\$2.9 million as explained under the statement of cash flow in paragraph 1(c).

### Current liabilities

The Group's current liabilities increased by approximately S\$9.1 million or 70.4% mainly due to the following:

- (a) recognition of lease liabilities of approximately S\$9.2 million due to the adoption of SFRS(I) 16;
- (b) an increase in finance leases mainly for the purchase of motor vehicles, offset by repayment of finance lease for the current period;
- (c) an increase in trade and other payables mainly due to higher accrued rental and staff costs, and higher trade and other creditors mainly for renovation works, offset by lower deferred income due to redemption of promotional vouchers for the current period;
- (d) a decrease in provision for taxation mainly due to tax paid of approximately S\$663,000 offset by tax expenses provided for the current period; and
- (e) a decrease in bank loans of approximately S\$224,000 mainly due to repayments during the period.

### Non-current liabilities

The Group's non-current liabilities increased by approximately S\$9 million or 94.7% mainly due to

- (a) recognition of lease liabilities of approximately S\$9.6 million due to the adoption of SFRS(I) 16;
- (b) a decrease in finance lease, mainly due to repayments during the period, offset by the purchase of motor vehicles; and
- (c) repayment of bank loans and decrease in deferred tax liabilities during 2Q2020.

### Net working capital

As at 30 September 2019, the Group had a negative net working capital of approximately S\$2.1 million as compared to approximately S\$6.3 million positive working capital as at 31 March 2019. Excluding lease liabilities of approximately S\$9.2 million due to the adoption of SFRS(I) 16, the Group had a positive working capital of S\$7.1 million as of 30 September 2019.

### **Cash flow**

In 2Q2020, the Group generated an operating profit before working capital changes of approximately S\$5.1 million. Net cash generated from operating activities, inclusive of working capital changes, amounted to approximately S\$3.7 million in 2Q2020.

In 2Q2020, net cash used in investing activities amounted to approximately S\$1.2 million. This was mainly attributable to additions of plant and equipment, and renovation costs for the Group's new retail outlets in Singapore and working capital loan to the UK joint venture for the opening of new outlets in UK.

Net cash used in financing activities amounted to approximately S\$4.7 million in 2Q2020. This was mainly due to dividends of approximately S\$1.8 million paid during 2Q2020, repayment of lease obligations inclusive of lease interest, of approximately S\$2.5 million and repayments of bank loans and finance lease during the period.

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

Not applicable. No forecast or prospect statement had been previously disclosed to shareholders.

**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.**

Amidst the challenging retail conditions, the Group will continue with its efforts to drive internal operational efficiencies, refresh its product range, and enhance its brand positioning.

Fixed cost for the Group's first flagship outlet in Covent Garden - London, UK remain high. The Group is scheduled to open a second Old Chang Kee outlet in Goadge Street, London in December 2019, and is on the lookout to open more retail outlets in Central London, which will help to improve brand visibility and to achieve economies of scale.

On the current local operations, the Group expects rental, labour and raw material costs to remain high in the next reporting period and the next 12 months, and believes that the labour market will continue to remain tight.

**11 Dividend.**

**If a decision regarding dividend has been made:-**

**(a) Whether an interim (final) ordinary dividend has been declared (recommended); and**

Name of Dividend:	Ordinary (Interim)
Dividend Type:	Cash
Dividend per share:	1.0 Singapore cent per ordinary share
Tax Rate:	Tax exempt (one-tier)

**(b) Previous corresponding period (cents)**

Name of Dividend:	Ordinary (Interim)
Dividend Type:	Cash
Dividend per share:	1.5 Singapore cent per ordinary share
Tax Rate:	Tax exempt (one-tier)

**(c) Date payable**

On or around 17 December 2019.

**(d) Books closure date**

3 December 2019.

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

Not applicable.

**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 Group does not have a general mandate from its shareholders for recurrent interested person transactions.

There were no IPTs exceeding S\$100,000 entered into for the financial period under review.

**14 Negative confirmation by the Board pursuant to Rule 705(5) of the Listing Manual**

We, Han Keen Juan and Lim Tao-E William, being two of the Directors of Old Chang Kee Ltd., do hereby confirm on behalf of the Board of Directors of the Company (the "Board") that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the second quarter ended 30 September 2019 to be false or misleading in any material aspects.

**15 Confirmation pursuant to Rule 720(1) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("Catalist Rules").**

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

On behalf of the Board:

Han Keen Juan  
Director

Lim Tao-E William  
Director

**BY ORDER OF THE BOARD**

**Adrian Chan Pengee**  
Company Secretary

14 November 2019

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. ("Sponsor"), in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist.*

*This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.*

*The contact person for the Sponsor is Ms Jennifer Tan, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg)).*