

Half Year Financial Statement And Dividend Announcement for the Period Ended 30/06/2015

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

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

	6 Mths Ended 30-Jun-2015 \$'000	Group 6 Mths Ended 30-Jun-2014 \$'000	Increase / (Decrease) %
Revenue	45,299	61,676	(26.55)
Cost of sales	(39,527)	(48,454)	(18.42)
Gross Profit	5,772	13,222	(56.35)
Other operating income	19	3,085	(99.38)
Selling and distribution expenses	(2,147)	(3,048)	(29.56)
General and administrative expenses	(5,148)	(5,651)	(8.90)
Other operating expenses	-	(20)	(100.00)
Finance income	283	98	188.78
Finance expenses	(482)	(367)	31.34
Finance expenses, net	(199)	(269)	
(Loss) / Profit before tax	(1,703)	7,319	(123.27)
Income tax	(474)	(856)	(44.63)
(Loss) / Profit after tax	(2,177)	6,463	(133.68)
Other comprehensive income :			
Currency translation difference	1,995	(987)	
Other comprehensive (expenses) / income, net of tax	1,995	(987)	
Total comprehensive (expenses) / income	(182)	5,476	
(Loss) / Profit attributable to:			
Owners of the parent	(1,912)	4,139	
Non-controlling interest	(265)	2,324	
	(2,177)	6,463	
Total comprehensive (expenses) / income attributable to:			
Owners of the parent	(616)	3,712	
Non-controlling interest	434	1,764	
	(182)	5,476	

N.M. - Not meaningful

Other notes :

Profit / (loss) from operations is arrived at after charging / (crediting) the following.

	Group		Increase / (Decrease)
	6 Mths Ended 30-Jun-2015 \$'000	6 Mths Ended 30-Jun-2014 \$'000	%
Depreciation of property, plant and equipment	1,142	1,089	4.87
Amortisation of land use rights	58	52	11.54
Amortisation of intangible assets	25	24	4.17
Cost of inventories sold	32,561	40,992	(20.57)
Provision of trade receivables	-	1,012	(100.00)
Research and development	1	833	(99.88)
Allowance of inventory obsolescence	505	-	N.M.
Foreign exchange gain	(60)	(9)	570.34
Gain on disposal of property, plant and equipment	-	(3,032)	(100.00)
Interest expense	482	367	31.34
Interest income	(283)	(98)	188.78

N.M. - Not meaningful

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

	Group		Company	
	Jun-15	Dec-14	Jun-15	Dec-14
	S\$'000	S\$'000	S\$'000	S\$'000
Non-Current Assets				
Property, plant and equipment	18,392	18,523	317	254
Land use right	1,081	1,104	-	-
Intangible assets	113	122	26	39
Investment in subsidiaries	-	-	12,055	12,055
Investment properties	40	42	-	-
Long-term staff loan	-	-	-	-
Trade and notes receivables	2,427	2,595	2,427	2,595
Current Assets				
Inventories	22,020	16,022	30	859
Trade and notes receivables	33,473	30,498	4,262	3,323
Other receivables	493	619	1,098	1,306
Advance to suppliers	2,449	1,014	-	-
Prepayment	585	150	263	18
Tax recoverable	146	411	-	-
Fixed deposits	4,138	4,740	3,506	4,509
Cash at bank and at hand	5,776	3,693	1,044	1,482
	69,080	57,147	10,203	11,497
Current Liabilities				
Trade Payables	14,164	5,016	2,222	2,257
Bills Payable to banks	5,387	581	-	44
Other payables and accruals	1,280	2,166	862	407
Advances from customers	66	111	-	-
Finance lease liabilities	37	31	30	30
Term loan	5,935	7,154	500	500
	26,869	15,059	3,614	3,238
Net Current Assets	42,211	42,088	6,589	8,259
Non-Current Liabilities				
Finance lease liabilities	38	66	3	18
	38	66	3	18
Net Assets	64,226	64,408	21,411	23,184
Equity				
Share capital	23,406	23,406	23,406	23,406
Capital reserve	294	294	-	-
General reserve	4,369	4,369	-	-
Enterprise expansion fund	4,369	4,369	-	-
Translation reserve	2,882	1,586	-	-
Accumulated profits	6,525	8,437	(1,995)	(222)
	41,845	42,461	21,411	23,184
Non-controlling interest	22,381	21,947	-	-
Total Equity	64,226	64,408	21,411	23,184

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

Amount repayable in one year or less, or on demand

As at 30/06/2015		As at 30/12/2014	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
10,304	1,055	6,685	1,081

Amount repayable after one year

As at 30/06/2015		As at 30/12/2014	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
38	-	66	-

Details of any collateral

Secured borrowings

As at 30 June 2015, our Group's borrowings are secured by the following:

- i) Short-term loan of approximately \$10,267k (31 December 2014: \$6,654k) granted to the subsidiaries of the company used mainly as working capital and for financing of purchases made in the ordinary course of business;
- ii) Finance lease obligations of approximately \$75k (31 December 2014: \$97k) secured by the underlying assets acquired with a net book value of approximately \$46k as of 30 June 2015 (31 December 2014: \$54k).

Unsecured borrowings

- i) There was no outstanding unsecured Group borrowings and debt securities as at 30 June 2015 (31 December 2014: \$44k) which usually consists of trust receipts and commercial bills to banks arising from trade financing of purchases made in the ordinary course of business;
- ii) \$1,055k (31 December 2014: \$1,037k) unsecured term loan being a drawdown of the Group's revolving credit facility.

- 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.

	Note	6 Mths Ended Jun-2015 S\$'000	6 Mths Ended Jun-2014 S\$'000
Cash flow from operating activities			
(Loss) / profit before tax:		(1,703)	7,319
Adjustments for:			
Depreciation of property, plant and equipment		1,142	1,089
Amortisation of land use rights		58	52
Amortisation of intangible assets		25	24
Gain from disposal of property, plant & equipment		-	(3,032)
Property, plant and equipment written off		57	45
Impairment of trade receivables		-	1,012
Research and development		-	833
Allowance of inventory obsolescence		505	-
Interest expense		482	367
Interest income		(283)	(98)
Translation adjustments		648	(643)
Operating profit before working capital changes		931	6,968
Increase in inventories		(6,502)	(2,468)
Increase in trade and other receivables		(6,511)	(9,669)
(Increase) / decrease in advances to suppliers		(1,435)	-
Increase in prepayment		(435)	(202)
Increase / (decrease) in trade and other payables		8,261	(2,017)
Decrease in advances from customers		(45)	(421)
Cash used in operations		(5,736)	(7,809)
Interest received		282	98
Interest paid		(482)	(367)
Income tax paid		(197)	(301)
Net cash used in operations		(6,133)	(8,379)
Cash flow from investing activities			
Purchase of property, plant and equipment		(465)	(343)
Proceeds from disposal of property, plant and equipment		-	5,867
Net cash (used in) / generated from investing activities		(465)	5,524

	6 Mths Ended Jun-2015 S\$'000	6 Mths Ended Jun-2014 S\$'000
Cash flow from financing activities		
Increase in restricted cash	(743)	(3,180)
Proceeds from loans and borrowings	-	3,844
Repayment of loans and borrowings	(1,219)	(1,004)
Repayment of finance lease obligations	(21)	(15)
Decrease in note receivables from banks	3,828	3,213
Increase in bill payables to banks	4,806	4,095
Net cash generated from financing activities	6,651	6,953
Net increase in cash & cash equivalents	53	4,098
Effect of exchange rate changes on cash and cash equivalents	685	(32)
Cash and cash equivalents at beginning of financial period	8,433	3,869
Cash and cash equivalents at end of financial period	9,171	7,935

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Note A: Cash and cash equivalents

Cash and cash equivalents consists of unrestricted cash and bank balances and fixed deposits

Cash and cash equivalents included in consolidated statement of cash flows comprise the following balance sheet amounts:

	6 Mths Ended Jun-2015 S\$'000	6 Mths Ended Jun-2014 S\$'000
Cash and bank balances	5,776	8,462
Fixed deposits	4,138	2,685
	9,914	11,147
Less : Restricted cash*	(743)	(3,212)
Cash and cash equivalents	9,171	7,935

*As at 30 June 2015, cash at bank held by the Group includes an amount of \$743,000 (30 June 2014: \$3,212,000) placed with the local banks of subsidiary companies for the issuance of commercial bills.

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.

Group	Attributable to owners of parent							Non-controlling interests	Total
	Share capital	Capital reserve	General reserve	Enterprise Reserve	Translation Reserve	Retained Earnings	Sub-total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
As at 01-January-2014	20,806	294	4,369	4,369	394	5,733	35,965	19,444	55,409
Profit for the year	-	-	-	-	-	4,139	4,139	2,324	6,463
Other comprehensive expenses for the year	-	-	-	-	(427)	-	(427)	(560)	(987)
Total comprehensive income for the year	-	-	-	-	(427)	4,139	3,712	1,764	5,476
As at 30-June-2014	20,806	294	4,369	4,369	(33)	9,872	39,677	21,208	60,885
As at 01-January-2015	23,406	294	4,369	4,369	1,586	8,437	42,461	21,947	64,408
Loss for the year	-	-	-	-	-	(1,912)	(1,912)	(265)	(2,177)
Other comprehensive income for the year	-	-	-	-	1,296	-	1,296	699	1,995
Total comprehensive expenses for the year	-	-	-	-	1,296	(1,912)	(616)	434	(182)
As at 30-June-2015	23,406	294	4,369	4,369	2,882	6,525	41,845	22,381	64,226
Company									
As at 01-January-2014	20,806	-	-	-	-	242	21,048	-	21,048
Profit for the year	-	-	-	-	-	346	346	-	346
As at 30-June-2014	20,806	-	-	-	-	588	21,394	-	21,394
As at 01-January-2015	23,406	-	-	-	-	(222)	23,184	-	23,184
Loss for the year	-	-	-	-	-	(1,773)	(1,773)	-	(1,773)
As at 30-June-2015	23,406	-	-	-	-	(1,995)	21,411	-	21,411

- 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 is no change in the Company's share capital for the six-month period ended 30 June 2015.

- 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 June 2015, share capital of the Company comprises 267,392,320 ordinary shares (31 December 2014 : 267,392,320).

- 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 reported on.

The Company does not have any treasury shares.

- 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 Company's 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.

The Group and Company have applied the same accounting policies and methods of computation for the current reporting period compared with audited financial statement as at 31 December 2014.

- 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.

Not applicable.

- 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 / (Loss) per share based on profit attributable to shareholders:

	<u>6 Mths Ended</u> 30/06/2015 Cents	<u>6 Mths Ended</u> 30/06/2014 Cents
(a) Based on weighted average number of ordinary shares	(0.71)	1.82
(b) Based on a fully diluted basis	(0.71)	1.82
Weighted average number of ordinary shares in	267,392,320	227,392,320

Earning per share was calculated based on 267,392,320 and 227,392,320 ordinary shares in issue for HY 2015 and HY 2014 respectively.

- 7 **Net asset value (for the issuer and group) per ordinary share based on the total number of shares excluding treasury shares of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	Cents		Cents	
	30/06/2015	30/12/2014	30/06/2015	30/12/2014
Net asset value per Ordinary Share based on total number of issued shares excluding treasury shares at the respective period	15.65	15.88	8.01	8.67

Net asset value per share as of 30 June 2015 was computed based on 267,392,320 ordinary shares (31 December 2014 : 267,392,320 ordinary shares).

- 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 recorded a total revenue of \$45.3m for the half year ended 30 June 2015 ("HY2015"). It recorded a reduction of \$16.4m or 26.6% in comparison to \$61.7m for the corresponding period ended 30 June 2014 ("HY2014"). The reduction in sales is mainly due to the decrease in the selling price as a result of stiff competition among the rivals.

Gross Profit

As a result of lower revenue, the Group's HY2015 gross profit has decreased by \$7.4m or 56.4% to \$5.8m (HY2014: \$13.2m).

Net Operating Expenses

Net operating expenses have increased by \$1.7m from \$5.6m in HY2014 to \$7.3m in HY2015. This is mainly attributed to the one-off gain from sales of a property of \$3.1m in HY2014, recorded as part of other operating income. The decrease in operating income was offset by the following:

- i) Selling and distribution expenses decreased by 901k or 29.6% which is line with the increase in revenue;
- ii) General and administrative expenses decreased by \$503K or 8.9% and is partly due to decrease in depreciation expense as certain fixed assets were fully depreciated or sold.

Net Financial Expense

The Group recorded a net financial expense of \$0.2m in HY2015, as compared to an amount of \$0.3m in HY2014. The decrease of \$0.1m in net financial expense is mainly due to increase in financial income of \$0.2m. This increase was offset by the increase in financial cost of \$0.1m. The increase in finance costs was as a result of increase in the borrowing.

Tax

Taxation is in line with profits made by profitable subsidiaries in China. There is no such tax charge for other entities in the Group due to their unutilised losses carried forward. The losses made by these entities cannot be used to offset the profits generated by the profitable subsidiaries, as they are not assessed by the same tax jurisdiction.

Net Results

As a result of the above, the Group registered a loss before tax of \$1.7m for the half year ended 30 June 2015 as compared to profit before tax of \$7.3m for the previous corresponding period. The loss after tax attributable to equity holders of the Company is approximately \$1.9m in HY2015, as compared to the profit after tax of \$4.1m recorded in HY2014.

Balance Sheet

The Group's property, plant and equipment ("PPE") including land use rights are at \$19.6m and \$19.5m as at 31 December 2014 and 30 June 2015 respectively. This is due to \$1.2m of depreciation and amortisation charges and offset by strengthening of RMB against SGD by 3.2%. There was no significant capital expenditure in HY2015.

Trade receivables has increased from \$33.1m for FY2014 to \$35.9m for HY2015. This is due to a longer credit terms granted to customers so as to continue to sustain competitiveness in the industry.

Cash and cash equivalents for the period increased from \$8.4m as at 31 December 2014 to \$9.9m as at 30 June 2015. During the period, the Group funded its working capital through trust receipts and commercial bills with banks, as well as longer credit terms granted by suppliers, and utilised its working capital to fund inventories and trade receivables.

Trade payables has increased from \$5.0m in FY2014 to \$14.1m in HY2015. This significant increase is mainly due to longer credit terms granted by suppliers. As a result, working capital funded through short term loan was reduced. Term loans are at \$7.2m and \$6.0m as at 31 December 2014 and 30 June 2015 respectively.

Overall, Group's equity as at 30 June 2015 was \$64.2m, a reduction of \$200K or 0.3% from the position as at 31 December 2014.

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

None.

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.

2015 continues to be a challenging year for the industry. Besides the cost pressures and competition faced by the Group, increasing operating costs, environmental, sustainability and product safety issues are impacting our customers and forcing some of them to either exit or relocate their business to other countries.

The Group will need to remain nimble enough to respond to changing buying patterns, develop strong partnerships across the supply chain, and focus on a sourcing portfolio that balances costs and risks.

On 31 March 2015 the group and Blackgold International Holdings Limited have signed a sale and purchase Agreement. The RTO is conditional upon the completion of divestment of the Group's existing business.

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

Any dividend recommended for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared / recommended.

13 Interested Person Transactions pursuant to SGX Rule 920(1)(a) for the financial period ended 30/06/2015

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

During the financial year, there were related parties transactions based on the terms agreed between the parties as follows:

	Group		Company	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	\$'000	\$'000	\$'000	\$'000
Fees incurred or paid to an agency firm which a director is a partner	-	-	-	-
Fees incurred or paid to a law firm which a director is a partner [#]	145	333	145	333

[#]The Company's director, who was a partner of the law firm where fee was incurred or paid to, held less than 20% equity stake in the law firm. As such, the transactions with this law firm would not fall under the definition of IPT. The director has since retired from the law firm.

14 Statement pursuant to SGX Listing Rule 705(5) of the Listing Manual

The Directors of the Company do hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the half year financial results ended 30 June 2015 to be false or misleading in any material aspects.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half-Year Results)

- 15 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not applicable.

- 16 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

- 17 A breakdown of sales.**

Not applicable.

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

Not applicable.

BY ORDER OF THE BOARD

Dr Tan Pang Kee
Chief Executive Officer / Managing Director

13 August 2015