



CHEMICAL INDUSTRIES (FAR EAST) LIMITED.
化学工业(远东)有限公司

Company Registration No. : 196200046K

UNAUDITED RESULTS FOR HALF YEAR ENDED 30 SEPTEMBER 2019

1(a)(i) A statement of profit or loss and other comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Statement of Profit or Loss

| | THE GROUP | | Increase/ (Decrease) % |
|--|---------------------------|---------------------------|------------------------------|
| | 30 Sep 2019 S\$'000 | 30 Sep 2018 S\$'000 | |
| Revenue | 30,883 | 35,493 | (13.0) |
| Cost of sales | (24,520) | (28,783) | (14.8) |
| Gross Profit | 6,363 | 6,710 | (5.2) |
| Other income (net) | 514 | 226 | 127.4 |
| Distribution expenses | (2,462) | (2,242) | 9.8 |
| Administrative expenses | (2,548) | (2,549) | 0.0 |
| Finance costs | (74) | (1) | 7,300 |
| Profit before tax | 1,793 | 2,144 | (16.3) |
| Income tax expense | (252) | (448) | (43.8) |
| Profit for the period attributable to owners of the company | 1,541 | 1,696 | (9.1) |
| Other comprehensive income (net of tax): | | | |
| Exchange differences on translation of foreign operations | 98 | - | n.m. |
| Total comprehensive income for the year attributable to owners of the company | 1,639 | 1,696 | (3.4) |

n.m. denotes Not Meaningful

1(a)(ii) Notes to statement of profit or loss for the Group

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

| | THE GROUP | | |
|---|------------------------------------|------------------------------------|---------------------------------------|
| | 30 Sep 2019 S\$'000 | 30 Sep 2018 S\$'000 | Increase/ (Decrease) % |
| Dividend income | 32 | 28 | 14.3 |
| Interest income | 155 | 69 | 124.6 |
| Net foreign exchange gain | 174 | 231 | (24.7) |
| Loss on disposal of plant and equipment | (11) | 0 | n.m. |
| Gain (loss) on fair value adjustments on financial assets at fair value through profit and loss | 12 | (48) | n.m. |
| Fine on contravention of Workplace Safety and Health Act ^{Note1} | - | (200) | n.m. |
| Other miscellaneous income | 152 | 146 | 4.1 |
| Depreciation | (3,320) | (3,249) | 2.2 |
| Interest on borrowings | (74) | (1) | 7300 |

Note 1

As previously announced, the State Court of Singapore has on 13 September 2018 imposed a fine of S\$200,000 for contravention of Section 12(2) of the Workplace Safety and Health Act in relation to a chlorine gas leak incident which occurred on 4 September 2016.

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 Sep 2019 S\$'000 | 31 Mar 2019 S\$'000 | 30 Sep 2019 S\$'000 | 31 Mar 2019 S\$'000 |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 29,740 | 32,170 | 25,114 | 28,789 |
| Trade and other receivables | 9,694 | 10,396 | 9,559 | 10,308 |
| Prepaid land lease | - | 42 | - | - |
| Due from subsidiaries | - | - | 5,582 | 5,404 |
| Inventories | 6,768 | 5,730 | 6,921 | 5,782 |
| Total current assets | <u>46,202</u> | <u>48,338</u> | <u>47,176</u> | <u>50,283</u> |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 24,748 | 23,630 | 18,507 | 21,248 |
| Right-of-use assets | 8,865 | - | 6,939 | - |
| Investment properties | 55,700 | 55,700 | - | - |
| Subsidiaries | - | - | 13,179 | 9,084 |
| Prepaid land lease | - | 1,870 | - | - |
| Financial assets at fair value through profit or loss ("FVTPL") | 843 | 831 | 843 | 831 |
| Total non-current assets | <u>90,156</u> | <u>82,031</u> | <u>39,468</u> | <u>31,163</u> |
| TOTAL ASSETS | <u>136,358</u> | <u>130,369</u> | <u>86,644</u> | <u>81,446</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | 4,248 | 5,652 | 3,652 | 5,083 |
| Contract liabilities | 466 | 109 | 466 | 109 |
| Due to subsidiaries | - | - | 460 | 460 |
| Current portion of finance leases | 1,002 | 10 | 1,002 | 10 |
| Income tax payable | 3,686 | 3,627 | 3,443 | 3,424 |
| Total current liabilities | <u>9,402</u> | <u>9,398</u> | <u>9,023</u> | <u>9,086</u> |
| NON-CURRENT LIABILITIES | | | | |
| Finance leases | 5,983 | 9 | 5,983 | 9 |
| Deferred tax liabilities | 2,371 | 2,860 | 2,301 | 2,790 |
| Total non-current liabilities | <u>8,354</u> | <u>2,869</u> | <u>8,284</u> | <u>2,799</u> |
| CAPITAL AND RESERVES | | | | |
| Share capital | 75,945 | 75,945 | 75,945 | 75,945 |
| Reserves | 109 | 11 | - | - |
| Accumulated profits (losses) | 42,548 | 42,146 | (6,608) | (6,384) |
| Total equity | <u>118,602</u> | <u>118,102</u> | <u>69,337</u> | <u>69,561</u> |
| TOTAL LIABILITIES AND EQUITY | <u>136,358</u> | <u>130,369</u> | <u>86,644</u> | <u>81,446</u> |

1(b)(ii) Aggregate amount of the group's borrowings and debt securities, together with comparative figures as at the end of the immediately preceding financial year.

| | 30 Sep 2019 | 31 Mar 2019 |
|----------------------------------|--------------------|--------------------|
| | S\$'000 | S\$'000 |
| Amount repayable within one year | | |
| Secured | 10 | 10 |
| Unsecured | 992 | 0 |
| | 1,002 | 10 |
| Amount repayable after one year | | |
| Secured | 4 | 9 |
| Unsecured | 5,979 | 0 |
| | 5,983 | 9 |
| Total | 6,985 | 19 |

Details of Collaterals

Finance leases amounting to S\$14,000 (31 March 2019: S\$19,000) are secured by plant and equipment under these finance lease arrangements.

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

| | THE GROUP | |
|---|----------------|---------------|
| | 30 Sep 2019 | 30 Sep 2018 |
| | S\$'000 | S\$'000 |
| Operating activities: | | |
| Profit before tax | 1,793 | 2,144 |
| Adjustments for: | | |
| Write down of inventories to net realisable value | 25 | - |
| Depreciation | 3,320 | 3,249 |
| (Gain) loss on fair value adjustments on financial assets at FVTPL | (12) | 48 |
| Foreign exchange differences | 15 | (136) |
| Dividend income | (32) | (28) |
| Loss on disposal of property, plant and equipment | 11 | - |
| Interest expense | 74 | 1 |
| Interest income | (155) | (69) |
| Operating cash flows before movements in working capital | 5,039 | 5,209 |
| Trade and other receivables | 684 | 356 |
| Inventories | (1,063) | 2,754 |
| Trade and other payables | (1,405) | 1,494 |
| Contract liabilities | 357 | - |
| Cash generated from operations | 3,612 | 9,813 |
| Dividends paid | (1,139) | (1,139) |
| Income tax paid | (682) | (627) |
| Interest paid | (74) | (1) |
| Interest received | 155 | 69 |
| Dividends received | 32 | 28 |
| Net cash from operating activities | 1,904 | 8,143 |
| Investing activities | | |
| Proceeds from disposal of plant and equipment | 140 | - |
| Purchase of property, plant and equipment | (4,039) | (376) |
| Additions to financial assets at FVTPL | - | (12) |
| Net cash used in investing activities | (3,899) | (388) |
| Financing activity | | |
| Repayment of obligations under finance leases, representing net cash used in financing activity | (435) | (6) |
| Net (decrease) increase in cash and cash equivalents | (2,430) | 7,749 |
| Cash and cash equivalents at the beginning of the year | 32,170 | 23,273 |
| Cash and cash equivalents at end of the period | 29,740 | 31,022 |

1(d)(i) Statement of Changes in Equity (for the issuer and group), together with a comparative statement for the corresponding period of the immediately preceding financial year

| | Share capital | Translation reserve | Total reserves | Accumulated profits | Attributable to equity holders of the company |
|--|----------------|---------------------|----------------|---------------------|---|
| <u>GROUP</u> | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance at 1 April 2019 | 75,945 | 11 | 11 | 42,146 | 118,102 |
| <u>Total comprehensive income for the period</u> | | | | | |
| Profit for the period | - | - | - | 1,541 | 1,541 |
| Other comprehensive income | - | 98 | 98 | - | 98 |
| Total | - | 98 | 98 | 1,541 | 1,639 |
| Dividends paid, representing transactions with owners, recognised directly in equity | - | - | - | (1,139) | (1,139) |
| Balance as at 30 September 2019 | 75,945 | 109 | 109 | 42,548 | 118,602 |
| Balance as at 1 April 2018 | 75,945 | - | - | 32,596 | 108,541 |
| <u>Total comprehensive income for the period</u> | | | | | |
| Profit for the period | - | - | - | 1,696 | 1,696 |
| Other comprehensive income | - | - | - | - | - |
| Total | - | - | - | 1,696 | 1,696 |
| Dividends paid, representing transactions with owners, recognised directly in equity | - | - | - | (1,139) | (1,139) |
| Balance at 30 September 2018 | 75,945 | - | - | 33,153 | 109,098 |

| | Share capital | Accumulated losses | Total |
|---|--------------------------|-------------------------------|----------------------|
| | S\$'000 | S\$'000 | S\$'000 |
| <u>COMPANY</u> | | | |
| Balance at 1 April 2019 | 75,945 | (6,384) | 69,561 |
| <u>Total comprehensive income for the period</u> | | | |
| Profit for the period | - | 915 | 915 |
| Other comprehensive income | - | - | - |
| Total | <u>-</u> | <u>915</u> | <u>915</u> |
| Dividends paid, representing transaction with owners, recognised directly in equity | - | (1,139) | (1,139) |
| Balance at 30 September 2019 | <u>75,945</u> | <u>(6,608)</u> | <u>69,337</u> |
| Balance at 1 April 2018 | 75,945 | (6,785) | 69,160 |
| <u>Total comprehensive income for the period</u> | | | |
| Profit for the period | - | 969 | 969 |
| Other comprehensive income | - | - | - |
| Total | <u>-</u> | <u>969</u> | <u>969</u> |
| Dividends paid, representing transaction with owners, recognised directly in equity | - | (1,139) | (1,139) |
| Balance at 30 September 2018 | <u>75,945</u> | <u>(6,955)</u> | <u>68,990</u> |

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 has been no change in the Company's issued share capital since the end of the previous period reported on.

The number of issued and fully paid up ordinary shares as at 30 September 2019 and 31 March 2019 was 75,945,399.

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.

| | THE COMPANY | |
|---|-------------|-------------|
| | 30 Sep 2019 | 31 Mar 2019 |
| Total number of issued shares excluding treasury shares | 75,945,399 | 75,945,399 |

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.

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 Company's auditors.

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

Not applicable.

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

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with those of the audited financial statements for the year ended 31 March 2019.

5 Changes in the accounting policies and methods of computation, including any required by an accounting standard

The Group has adopted the new and revised Singapore Financial Reporting Standards (International) (“SFRS(I)”) and Interpretations of SFRS(I) (“SFRS(I) INT”) that are effective for annual periods beginning on or after 1 April 2019 as follows:

Adoption of SFRS(I) 16 Leases

SFRS(I) 16 is effective for financial years beginning on or after 1 January 2019. The Group adopted the simplified transition approach and the comparative amounts for the year prior to first adoption were not restated.

All right-of-use assets are measured at the amount equal to the lease liability (adjusted for any prepaid or accrued lease payments) at the date of initial application. Under SFRS(I) 16, qualifying lease payments were no longer taken to other operating expenses but capitalised to the statement of financial position as right-of-use assets and depreciated over the term of the lease. Cash paid for the interest portion of lease liability is presented as part of financing activities, in accordance with the Group’s and the Company’s accounting policy.

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

| | THE GROUP | |
|--|-------------|-------------|
| | 30 Sep 2019 | 30 Sep 2018 |
| (i) Based on weighted average number of ordinary shares in issue | 2.03 cents | 2.23 cents |
| (ii) On a fully diluted basis | 2.03 cents | 2.23 cents |

7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the current financial period reported on and immediately preceding financial year

| | THE GROUP | | THE COMPANY | |
|---|-------------|-------------|-------------|-------------|
| | 30 Sep 2019 | 31 Mar 2019 | 30 Sep 2019 | 31 Mar 2019 |
| Net asset value per ordinary share based on issued share capital of the Company | S\$1.56 | S\$1.56 | S\$0.91 | S\$0.91 |

8 A review of the performance of the Group

Consolidated Statement of Profit or Loss

Group revenue decreased by 13% or S\$4.6 million to S\$30.9 million in the first half of 2020 (“1H FY2020”) compared to S\$35.5 million in the first half of 2019 (“1H FY2019”) mainly attributed to lower contribution from its chemical business. This is due to the sectoral changes of the chlor-alkali business that has driven overall selling price lower in the current period.

Correspondingly, Group gross profit decreased to S\$6.3 million on 1H FY2020 (vis-à-vis 1H FY2019). Despite the fall in gross profit, gross profit margins improved marginally from 18.9% in 1H FY2019 to 20.6% in 1H FY2020 as the Group managed its costs more efficiently.

The Group recorded other income of S\$514,000 in 1H FY2020 as opposed to other income (net) of S\$274,000 in 1H FY2019. As disclosed in para 1(a)(ii), the Group recorded higher dividend income and interest income in the current reporting period as compared to the previous corresponding period. In addition, as market prices of its quoted investment improved in the current reporting period, the Group recorded a gain in fair value of its financial assets as opposed to a loss recorded in the previous corresponding period. With a smaller change in basis point in appreciation of United States Dollars against Singapore Dollar, the Group recorded a lower net foreign exchange gain of S\$174,000 in the current reporting period.

Distribution expenses increased by S\$220,000 to S\$2.5 million in 1H FY2020 resulting from higher third-party logistics support for deliveries.

Administrative expenses of S\$2.5 million in 1H FY2020 remained relatively the same as compared to the previous corresponding period of S\$2.5 million in 1H FY2019.

With the adoption of the new and revised Singapore Financial Reporting Standard (International) SFRS(I) 16 Leases, Group’s finance costs increased to S\$74,000 in 1H FY2020 as the Group recognised interest on its lease liabilities in relation to its lease obligations on the industrial land that it leases from Jurong Town Corporation.

Arising from lower profits recorded in 1H FY2020 as well as movement in its deferred tax, income tax expense was lower at S\$252,000 in 1H FY2020 as compared to S\$448,000 in 1H FY2019.

As a result of the foregoing, Group net profit after tax for 1H FY2020 came in at S\$1.5 million as compared to S\$1.7 million in the previous corresponding period.

Statements of Financial Position

Group’s net cash position decreased by S\$2.4 million to S\$29.7 million in 1H FY2020 as detailed in the Group’s Cashflow statement on para 1(c). As presented in the cashflow statement, the decrease in cash position was primarily due to purchase of property, plant equipment. These substantial increase in capital expenditure was for the development of chemical process plant in Myanmar.

Group’s trade and other receivables decreased to S\$9.7 million in line with lower revenue reported for the period.

Inventories increased to S\$6.8 million in 1H FY2020 primary due to timing differences in shipment arrival.

In the period under review, Group's depreciation charge was at S\$3.3 million, marginally higher than that of S\$3.2 million in the previous corresponding period. The carrying value of property, plant and equipment stood at S\$24.7 million, higher than that of S\$23.6 million. The increase was primarily due to increase in capital expenditure on plant and equipment of S\$3.9 million for the development of process plant in Myanmar.

With the adoption of SFRS (I) 16, prepaid land lease (non-current and current) has been reclassified as right-of-use assets in 1H FY2020. The Group also reclassified operating leases recognised previously under SFRS(I) 1-17 *Leases* as right-of-use assets. These resulted in right-of-use assets of S\$8.9 million being recognised in the current period. Correspondingly, lease liabilities in relation to the right-of-use assets has been recognised, resulting in an increase of finance leases (current and non-current) to S\$7 million in 1H FY2020.

Arising from timing differences in payment, trade and other payables decrease to S\$4.2 million.

Contract liabilities of S\$466,000 in 1H FY2020, an increase of S\$357,000 was due to additional advance payment received from customers whereby deliveries of goods had not been made.

Group's tax liabilities that comprised income tax payable and deferred tax liabilities was lower at S\$6.1 million compared to S\$6.5 million in FY2019 due to payment in the current year.

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

Not applicable.

10 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

As previously announced, the Group continues to operate in a challenging and competitive environment. We do not foresee that situation will improve in the next 12 months.

The chemical process plant in Myanmar is expected to be operational in the month of December 2019, however, it is not expected to have any material impact on the financial performance of the Group.

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) Book closure date

Not applicable.

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

No dividend has been declared(recommended) for the current financial period reported on.

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 has not obtained a general mandate from shareholders for Interested Person Transactions.

14 Confirmation by the Board pursuant to rule 705(5) of the listing manual

On behalf of the Board of Directors of the Company, we hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the half year ended 30 September 2019 to be false or misleading.

15 Confirmation by the Board pursuant to rule 720(1) of the listing manual

On behalf of the Board of Directors of the Company, we hereby confirm that we have procured all the required undertakings to comply with the Exchange's listing rules from all the Directors and Executive Officers of the Company.

BY ORDER OF THE BOARD

FOO SOON SOO
Company Secretary

01 November 2019