

Half Year Financial Statement And Dividend Announcement for the Period Ended 30/06/2014

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.

	Group		
	6 Mths Ended 30-Jun-14 \$'000	6 Mths Ended 30-Jun-13 \$'000	Increase / (Decrease) %
Revenue	61,676	25,348	143.32
Cost of sales	(48,454)	(20,639)	134.77
Gross Profit	13,222	4,709	180.78
Other operating income	3,085	7	43,971.43
Selling and distribution expenses	(3,048)	(2,097)	45.35
General and administrative expenses	(5,651)	(3,126)	80.77
Other operating expenses	(20)	(14)	42.86
Finance income	98	23	326.09
Finance expenses	(367)	(191)	92.15
Finance expenses, net	(269)	(168)	
Profit / (Loss) before tax	7,319	(689)	(1,162.26)
Income tax	(856)	(115)	644.35
Profit / (Loss) after tax	6,463	(804)	(903.86)
Other comprehensive income / (loss) :			
Currency translation difference	(987)	1,752	
Other comprehensive income / (loss), net of tax	(987)	1,752	
Total comprehensive income / (loss)	5,476	948	
Profit / (Loss) attributable to:			
Owners of the parent	4,139	(474)	
Non-controlling interest	2,324	(330)	
	6,463	(804)	
Total comprehensive income / (loss) attributable to:			
Owners of the parent	3,712	693	
Non-controlling interest	1,764	255	
	5,476	948	

Other notes :

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

	Group		
	6 Mths Ended 30-Jun-14 \$'000	6 Mths Ended 30-Jun-13 \$'000	Increase / (Decrease) %
Depreciation of property, plant and equipment	1,089	1,110	(1.89)
Amortisation of land use rights	52	38	36.84
Amortisation of intangible assets	24	34	(29.41)
Cost of inventories sold	40,992	17,235	137.84
Write back of impairment of trade receivables	-	-	N.M.
Provision for trade receivables	1,012	-	N.M.
Research and development	833	-	N.M.
Foreign exchange gain	(9)	(70)	(87.14)
Gain on disposal of property, plant and equipment	(3,032)	-	N.M.
Interest expense	367	191	92.15
Interest income	(98)	(23)	326.09

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-14	Dec-13	Jun-14	Dec-13
	S\$'000	S\$'000	S\$'000	S\$'000
Non-Current Assets				
Property, plant and equipment	18,429	19,636	266	185
Land use right	1,095	1,174	-	-
Intangible assets	133	159	53	66
Investment in subsidiaries	-	-	12,055	12,055
Investment properties	44	43	-	-
Long-term staff loan	-	-	-	-
Long term prepaid and deferred expenses	-	-	-	-
Trade and notes receivables	2,661	3,957	2,661	3,957
Current Assets				
Inventories	22,270	19,802	1,256	1,176
Trade and notes receivables	28,312	21,719	3,235	5,047
Other receivables	941	1,625	1,111	2,186
Advance to suppliers	160	160	-	-
Prepayment	371	168	266	38
Quoted investment	10	11	-	-
Fixed deposits	2,685	917	-	-
Cash at bank and at hand	8,462	2,952	5,365	1,582
Current asset held for sale	-	2,792	-	2,792
	63,211	50,146	11,233	12,821
Current Liabilities				
Trade Payables	8,596	10,535	3,655	4,988
Bills Payable to banks	6,896	2,800	84	643
Other payables and accruals	1,555	1,634	571	823
Advances from customers	178	599	-	-
Tax Payable	621	67	-	-
Finance lease liabilities	18	30	18	30
Term loan	6,778	3,993	500	1,504
	24,642	19,658	4,828	7,988
Net Current Assets	38,569	30,488	6,405	4,833
Non-Current Liabilities				
Finance lease liabilities	46	48	46	48
	46	48	46	48
Net Assets	60,885	55,409	21,394	21,048
Equity				
Share capital	20,806	20,806	20,806	20,806
Capital reserve	294	294	-	-
General reserve	4,369	4,369	-	-
Enterprise expansion fund	4,369	4,369	-	-
Translation reserve	(33)	394	-	-
Accumulated profits	9,872	5,733	588	242
	39,677	35,965	21,394	21,048
Non-controlling interest	21,208	19,444	-	-
Total Equity	60,885	55,409	21,394	21,048

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

Amount repayable in one year or less, or on demand

As at 30/06/14		As at 31/12/2013	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
12,601	1,091	3,967	2,856

Amount repayable after one year

As at 30/06/14		As at 31/12/2013	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
46	-	48	-

Details of any collateral

Secured borrowings

As at 30 June 2014, our Group's borrowings are secured by the following:

- i) Short-term loan of approximately \$12,583k (31 December 2013: \$3,937k) 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 \$64k (31 December 2013: \$78k) secured by the underlying assets acquired with nil net book value as of 30 June 2014 (31 December 2013: \$28k).

Unsecured borrowings

- i) The unsecured Group borrowings and debt securities of \$84k (31 December 2013: \$1,352k) are bills payable consisting of trust receipts and commercial bills to People's Republic of China ("PRC") banks arising from trade financing of purchases made in the ordinary course of business;
- ii) \$1,007k (31 December 2013: \$1,504k) 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-14 S\$'000	6 Mths Ended Jun-13 S\$'000
Cash flow from operating activities			
Profit/(loss) before tax:		7,319	(689)
Adjustments for:			
Depreciation of property, plant and equipment		1,089	1,110
Amortisation of land use rights		52	38
Amortisation of intangible assets		24	34
Gain on disposal of property, plant & equipment		(3,032)	-
Property, plant and equipment written off		45	-
Provision for trade receivables		1,012	-
Research and development		833	-
Interest expense		367	191
Interest income		(98)	(23)
Translation adjustments		(643)	874
Operating profit / (loss) before working capital changes		6,968	1,535
(Increase)/decrease in inventories		(2,468)	190
Increase in trade, notes and other receivables		(6,456)	(2,950)
Decrease in advances to suppliers		-	51
Increase in prepayments		(202)	(96)
Increase in trade and other payables		2,078	3,805
(Decrease)/increase in advances from customers		(421)	70
Decrease in bills payable to banks		-	(2,245)
Cash (used in) / generated from operations		(501)	360
Interest income received		98	22
Interest paid		(367)	(191)
Income taxes paid		(301)	(70)
Net cash (used in) / generated from operations		(1,071)	121
Cash flow from investing activities			
Purchase of property, plant and equipment		(343)	(121)
Proceeds from disposal of property, plant and equipment		5,867	-
Net cash generated from / (used in) investing activities		5,524	(121)

	6 Mths Ended Jun-14 S\$'000	6 Mths Ended Jun-13 S\$'000
Cash flow from financing activities		
(Increase)/decrease in restricted cash	(3,180)	284
Proceeds from loans and borrowings	3,844	-
Repayment of loans and borrowings	(1,004)	(3,607)
Proceeds from issuance of ordinary shares from placements	-	1,923
Repayment of finance lease obligations	(15)	(87)
	<u>(355)</u>	<u>(1,487)</u>
Net cash generated from / (used in) financing activities		
	<u>(355)</u>	<u>(1,487)</u>
Net decrease in cash and cash equivalents	4,098	(1,486)
Effect of exchange rate changes on cash and cash equivalents	(32)	(316)
Cash and cash equivalents at beginning of financial period	3,869	5,974
Cash and cash equivalents at end of financial period	A	
	<u><u>7,935</u></u>	<u><u>4,172</u></u>

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-14 S\$'000	6 Mths Ended Jun-13 S\$'000
Cash and bank balances	8,462	3,106
Fixed deposits	2,685	1,098
	<u>11,147</u>	<u>4,204</u>
Less : Restricted cash*	(3,212)	(32)
	<u><u>7,935</u></u>	<u><u>4,172</u></u>
Cash and cash equivalents		

*As at 30 June 2014, cash at bank held by the Group includes an amount of \$3,212,000 (30 June 2013: \$32,000) placed with 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.

	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	\$'000	\$'000
Group									
As at 01-January-2013	17,692	294	4,369	4,369	(867)	5,577	31,434	18,393	49,827
Loss for the year	-	-	-	-	-	(474)	(474)	(330)	(804)
Other comprehensive income for the year	-	-	-	-	1,167	-	1,167	585	1,752
Total comprehensive income for the year	-	-	-	-	1,167	(474)	693	255	948
Issued of new ordinary shares	1,923	-	-	-	-	-	1,923	-	1,923
As at 30-June-2013	19,615	294	4,369	4,369	300	5,103	34,050	18,648	52,698
As at 01-January-2014									
Profit for the year	-	-	-	-	-	4,139	4,139	2,324	6,463
Other comprehensive income for the year	-	-	-	-	(427)	-	(427)	(560)	(987)
Total comprehensive income for the year	-	-	-	-	(427)	4,139	3,712	1,764	5,476
Issued of new ordinary shares	-	-	-	-	-	-	-	-	-
As at 30-June-2014	20,806	294	4,369	4,369	(33)	9,872	39,677	21,208	60,885
Company									
As at 01-January-2013	17,692	-	-	-	-	101	17,793	-	17,793
Loss for the year	-	-	-	-	-	285	285	-	285
Issued of new ordinary shares	1,923	-	-	-	-	-	1,923	-	1,923
As at 30-June-2013	19,615	-	-	-	-	386	20,001	-	20,001
As at 01-January-2014									
Profit for the year	-	-	-	-	-	346	346	-	346
Issued of new ordinary shares	-	-	-	-	-	-	-	-	-
As at 30-June-2014	20,806	-	-	-	-	588	21,394	-	21,394

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 2014.

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 2014, share capital of the Company comprises 227,392,320 ordinary shares (31 December 2013 : 227,392,320).

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 2013.

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> 30/06/2014 Cents	<u>6 Mths Ended</u> 30/06/2013 Cents
(a) Based on weighted average number of ordinary shares	1.82	(0.26)
(b) Based on a fully diluted basis	1.82	(0.26)
Weighted average number of ordinary shares in issue for	227,392,320	180,730,267

Earnings per share was calculated based on 227,392,320 and 180,730,267 ordinary shares in issue for HY 2014 and HY 2013 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	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Net asset value per Ordinary Share based on total number of issued shares excluding treasury shares at the respective period	17.45	15.82	9.41	9.26

Net asset value per share as of 30 June 2014 was computed based on 227,392,320 ordinary shares (31 December 2013 : 227,392,320 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

With higher sales, the Group recorded a total revenue of \$61.7m for the half year ended 30 June 2014 ("HY2014"). It achieved an increase of \$36.4m or 143.3% in comparison to \$25.3m for the corresponding period ended 30 June 2013 ("HY2013").

Gross Profit

The Group's HY2014 gross profit increased by \$8.5m or 180.8% to \$13.2m (HY2013: \$4.7m). This is mainly contributed by an increase in sales and the improvement in productivity.

Net Operating Expenses

Net operating expenses have increased by \$400k from \$5.2m in HY2013 to \$5.6m in HY2014. The reasons for this increase are:

- i) General and administrative expenses increased by \$2.5m or 80.8%, mainly due to provision of research & development fee as well as partial provision of trade receivables;
- ii) Other operating income increased by \$3.1m and is mainly due to the gain from sales of a property in February 2014;
- iii) Selling and distribution expenses increased by 1.0m or 45.3% which is in line with the increase in revenue.

Net Financial Expense

The Group recorded a net financial expense of \$0.27m in HY2014, as compared to an amount of \$0.17m in HY2013. The increase of \$0.10m in net financial expense is mainly due to increase in short term borrowing which is used as working capital to fund the increase in sales.

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 authority.

Net Results

As a result of the above, the Group registered a profit before tax of \$7.3m for the half year ended 30 Jun 2014 as compared to a loss of \$689k for the previous corresponding period. The profit after tax attributable to equity holders of the Company is approximately \$4.1m in HY2014, as compared to a loss of \$474K in HY2013.

Balance Sheet

The Group's property, plant and equipment ("PPE") including land use rights are at \$23.6m (including a property at net book value of \$2.8m held for sale) and \$19.5m as at 31 December 2013 and 30 June 2014 respectively. There was a disposal of property (net book value of \$2.8m) during the year. Save for \$1.1m of depreciation and amortisation charges, there was no significant capital expenditure in HY2014.

Inventories are at \$19.8m and \$22.3m as at 31 December 2013 and 30 June 2014 respectively. The increase of \$2.5m is largely due to the increase in Group's sales.

Trade receivables has increased from \$25.7m for FY2013 to \$31.0m for HY2014, which is in line with the increase in sales.

Cash and cash equivalents as at 31 December 2013 and 30 June 2014 were at \$3.9m and \$11.1m respectively. The increased balance as at 30 June 2014 was due to the cash proceeds generated from sales of a property and receipts from increased sales.

Decrease in trade payables is mainly due to payment funded through bills payable to some suppliers. Bills payable to banks has increased from \$2.8m to \$6.9m as at 30 June 2014 and is largely used to fund the rise in purchase of raw materials to support the increase in sales.

Term loans are at \$4.0m and \$6.8m as at 31 December 2013 and 30 June 2014 respectively. To facilitate the increase in business activities, there were new term loans secured in HY2014 for subsidiaries in China.

Overall, Group's equity as at 30 June 2014 was \$60.9m, an increase of \$5.5m or 9.9% from the position as at 31 December 2013.

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.

The Group continues to operate in a very challenging business environment. Stringent environmental policies and the implementations have caused acute shortage of raw material that in turn resulted in huge spikes in raw material prices. With the continued rising cost of raw materials in China, customers are looking at divesting and relocation to other areas both inside and outside of China, which can be disruptive to sales efforts. The Group expects this trend to remain and continue to add pressure on Group's operation. In facing these challenges, the Group will continue to focus on managing its costs and productivity, concurrently optimising its sales.

The Group continues to be on the lookout for opportunities to expand its core businesses and other business collaborations to synergise its existing

Barring unforeseen circumstances, we are cautiously optimistic there would be further improvement in profitability as we continue to see healthy sales from our eco-friendly product ranges.

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 30/06/2014.

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	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	\$'000	\$'000	\$'000	\$'000
Fees incurred or paid to an agency firm which a director is a partner	-	5	-	5
Fees incurred or paid to a law firm which a director is a partner	333	191	333	191

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 2014 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
12 August 2014