

Half Year Financial Statement Announcement for the period ended 30 June 2016

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF HALF YEAR RESULTS

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

	HY2016	HY2015	Increase/ (Decrease)
	S\$'000	S\$'000	%
Revenue	28,624	14,364	99.28
Cost of sales	(24,142)	(10,927)	120.94
Gross profit	4,482	3,437	30.40
Other operating income	339	558	(39.25)
Administrative expenses	(2,418)	(1,976)	22.37
Other operating expenses	(1,498)	(884)	69.46
Finance costs	(90)	(18)	400.00
Profit before tax	815	1,117	(27.04)
Income tax expense	(272)	(333)	(18.32)
Profit for the period	543	784	(30.74)

Other comprehensive income/loss

Item that may be reclassified subsequently to profit or loss

Exchange differences on translating foreign operations	341	(442)
Total comprehensive income for the period	884	342

Profit/loss attributable to:

Shareholders of the Company	579	775
Non-controlling interests	(36)	9
	543	784

Total comprehensive income/loss attributable to:

Shareholders of the Company	891	333
Non-controlling interests	(7)	9
	884	342

The Group's profit/(loss) before tax is arrived at after (crediting)/charging :

	HY2016	HY2015
	S\$'000	S\$'000
Depreciation of property, plant and equipment	182	135
Foreign exchange loss/(gain)	148	(338)
Allowance for impairment on trade receivables	-	101
Interest income	(4)	(9)
Interest expense	90	18
Gain on disposal of property, plant and equipment	(4)	(2)
Provision for warranty	129	47
Amortisation of intangible assets	238	201
Write-back of impairment loss on allowance for trade receivables	-	(103)
Write-back of allowance for slow-moving inventories	-	(20)
Fair value adjustment on financial asset at fair value through profit or loss	6	(2)

1 (b) (i) 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	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	1,301	1,239	61	40
Investment in subsidiaries	-	-	7,733	7,733
Deferred tax asset	135	135	-	-
Intangible asset	462	700	-	-
Goodwill	1,006	1,006	-	-
	2,904	3,080	7,794	7,773
Current Assets				
Inventories	1,739	2,555	-	590
Gross amount due from customers for contract work-in-progress	9,030	3,388	27	27
Trade and other receivables	11,608	12,660	21,845	16,883
Prepaid operating expenses	426	128	43	4
Financial asset at fair value through profit or loss	43	48	-	-
Fixed deposits pledged	651	640	110	110
Cash and bank balances	7,995	9,391	5,400	5,772
	31,492	28,810	27,425	23,386
Total Assets	34,396	31,890	35,219	31,159
EQUITY AND LIABILITIES				
Capital and Reserve				
Share capital	18,192	17,580	18,192	17,580
Accumulated losses	(1,213)	(1,792)	(9,373)	(9,765)
Reserve	-	612	-	612
Foreign currency translation reserve	(1,381)	(1,693)	-	-
Attributable to shareholders of the Company	15,598	14,707	8,819	8,427
Non-controlling interests	101	108	-	-
Total equity	15,699	14,815	8,819	8,427
Non-Current Liabilities				
Deferred tax liabilities	165	163	-	-
Obligation under finance lease	151	150	-	-
Bank borrowings	55	55	-	-
	371	368	-	-
Current Liabilities				
Trade and other payables	15,041	14,776	26,400	22,732
Gross amount due to customers for contract work-in-progress	169	410	-	-
Income tax payable	504	333	-	-
Obligation under finance lease	60	117	-	-
Bank borrowings	2,552	1,071	-	-
	18,326	16,707	26,400	22,732
Total Equity and Liabilities	34,396	31,890	35,219	31,159

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

Amount repayable within one year

As at 30 June 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
2,612	-	330	858

Amount repayable after one year

As at 30 June 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
206	-	205	-

Details of collaterals

The bank borrowings are secured by a subsidiary's fixed deposits of \$609,490 (31 Dec 15: \$609,490) and corporate guarantee by the Company.

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

	HY2016 S\$'000	HY2015 S\$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	815	1,117
Adjustments for:		
Depreciation of property, plant and equipment	182	135
Gain on disposal of property, plant and equipment	(4)	(2)
Interest expense	90	18
Interest income	(4)	(9)
Allowance for impairment on trade receivables	-	101
Amortisation of intangible assets	238	201
Write-back of allowance for slow-moving inventories	-	(20)
Write-back of impairment loss on trade receivables	-	(103)
Fair value adjustment on financial asset at fair value through profit or loss	6	(2)
Provision for warranty	129	47
Operating profit before working capital changes	1,452	1,483
Decrease in inventories	817	389
(Increase)/Decrease in amount due from customers for contract work-in-progress	(5,883)	107
Decrease/(Increase) in trade and other receivables	755	(2,760)
Increase in trade and other payables	160	1,401
Currency translation adjustments	381	(412)
Cash (used in)/generated from operations	(2,318)	208
Interest received	4	9
Tax paid	(173)	(67)
Net cash (used in)/generated from operating activities	(2,487)	150

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

	HY2016	HY2015
	S\$'000	S\$'000
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(237)	(121)
Proceeds from disposal of property, plant and equipment	4	2
Net cash used in investing activities	(233)	(119)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(105)	(100)
Bank borrowings	1,586	-
Interest paid	(90)	(18)
Repayment of finance lease obligation	(56)	(61)
Fixed deposit pledged	(11)	-
Net cash generated from/(used in) financing activities	1,324	(179)
NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES	(1,396)	(148)
CASH AND BANK BALANCES AT THE BEGINNING OF PERIOD	9,391	9,385
CASH AND BANK BALANCES AT THE END OF PERIOD	7,995	9,237

1(d)(i) A statement (for the company and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to shareholders of the Company					Non-controlling Interests	Total
	Share Capital	Foreign currency translation reserve	Accumulated Losses	Reserve	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
The Group							
At 1 January 2015	17,580	(722)	(4,355)	-	12,503	139	12,642
Profit for the period	-	-	775	-	775	9	784
<u>Other comprehensive loss</u>							
Exchange differences on translating foreign operations, net of tax	-	(442)	-	-	(442)	-	(442)
Total comprehensive income/(loss) for the period	-	(442)	775	-	333	9	342
At 30 June 2015	17,580	(1,164)	(3,580)	-	12,836	148	12,984
At 1 January 2016	17,580	(1,693)	(1,792)	612	14,707	108	14,815
Profit for the period	-	-	579	-	579	(36)	543
<u>Other comprehensive profit</u>							
Exchange differences on translating foreign operations, net of tax	-	312	-	-	312	29	341
Total comprehensive income/(loss) for the period	-	312	579	-	891	(7)	884
Remuneration shares	612	-	-	(612)	-	-	-
At 30 June 2016	18,192	(1,381)	(1,213)	-	15,598	101	15,699
The Company							
At 1 January 2015	17,580	-	(10,311)	-	7,269	-	7,269
Profit for the period	-	-	1,127	-	1,127	-	1,127
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	1,127	-	1,127	-	1,127
At 30 June 2015	17,580	-	(9,184)	-	8,396	-	8,396
At 1 January 2016	17,580	-	(9,765)	612	8,427	-	8,427
Profit for the period	-	-	392	-	392	-	392
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	392	-	392	-	392
Remuneration shares	612	-	-	(612)	-	-	-
At 30 June 2016	18,192	-	(9,373)	-	8,819	-	8,819

- 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.**

During the financial period, 24,502,402 Remuneration Shares have been issued. There are no outstanding convertibles that will result in the issuance of shares as at 30 June 2015 and 30 June 2016

- 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.**

There were no treasury shares as at 30 June 2016 and 31 December 2015. The total number of issued shares as at 30 June 2016 was 373,285,542 and 31 December 2015 was 348,783,140.

- 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 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 company's most recently audited annual financial statements have been applied.**

The accounting policies and methods of computation are consistent with the latest audited financial statements for the year ended 31 December 2015.

- 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 applied the same accounting policies and methods of computation in the preparation of financial statements for the current reporting period compared with the latest audited financial statements for the financial year ended 31 December 2015.

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 dividends.

	HY2016	HY2015
	S\$'000	S\$'000
Net profit attributable to shareholders of the Company	579	775
Earnings per share for the period based on the weighted average number of shares in issue of 373,285,542 for HY2016 (HY2015:348,783,140)		
	Cents	Cents
Basic earnings per share	0.16	0.22
Diluted earnings per share	0.16	0.22

There is no dilutive effect for the period ended 30 June 2016.

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 (a) current period reported on and (b) immediately preceding financial year.

	Group		Company	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
	Cents	Cents	Cents	Cents
Net asset value per share	4.18	4.25	2.36	2.42

Net asset value per ordinary share as at 30 June 2016 and 31 December 2015 has been computed based on 373,285,542 and 348,783,140 ordinary shares respectively.

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 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.**

Statement of comprehensive income (HY2016 vs HY2015)

Revenue

The Group registered an increase in revenue in the current financial period. Revenue increased from S\$14.36 million in HY2015 to S\$28.62 million in HY2016, an increase of approximately 99.3 % or S\$14.26 million.

Both the manufacturing and engineering segments recorded positive sales and order growth due mainly to the on-going restructuring efforts to strengthen sales operations and a general improvement in our order intake.

Gross profit margin

Due to the challenging market conditions, gross profit margin dropped to 15.7% in HY2016 as compared to 23.9% in HY2015. However, overall gross profit increased from S\$3.44 million in HY2015 to S\$4.48 million in HY2016, an increase of approximately 30.2% or S\$1.04 million.

Other operating income

Other operating income decreased by S\$0.22 million from S\$0.56 million in HY2015 to S\$0.34 million in HY2016. This decrease was mainly due to a foreign exchange loss in HY2016 as opposed to a foreign exchange gain in HY2015.

Administrative expenses

Administrative expenses increased from S\$1.98 million in HY2015 to S\$2.42 million in HY2016. This was mainly due to an increase in staff costs in line with higher sales and production activity accordingly.

Other operating expenses

The other operating expenses increased from S\$0.88 million in HY2015 to S\$1.50 million in HY2016. This was mainly driven by higher sales and production activity in HY2016.

Finance costs

Finance costs increased from S\$0.02 million in HY2015 to S\$0.09 in HY2016.

Tax expense

Tax expense decreased from S\$0.33 million in HY2015 to S\$0.27 million in HY2016.

Profit after taxation

Overall, the Group made a profit of S\$0.54 million in HY2016 as compared to S\$0.78 million in HY2015.

Statement of Financial Position (HY2016 vs FY2015)

In HY2016, the value of the property, plant and equipment increased from S\$1.24 million in FY2015 to S\$1.30 million mainly due to acquisitions of plant and machinery.

The intangible asset decreased from S\$0.70 million in FY2015 to S\$0.46 million in HY2016 due to amortisation of S\$0.24 million in the current financial period.

Inventories decreased from S\$2.56 million as at 31 December 2015 to S\$1.74 million as at 30 Jun 2016 as a result of lower stock holding.

Gross amount due from customers for contract work-in-progress increased by S\$5.64 million for the half year ended 30 June 2016.

Trade and other receivables decreased by S\$1.06 million for the half year ended 30 June 2016 mainly due to faster collections.

Bank borrowings increased by S\$1.48 million and obligation under finance lease decreased by S\$0.06 million.

There was a slight increase in trade and other payables from S\$14.78 million as at 31 December 2015 to S\$15.04 million as at 30 June 2016 due to higher activity.

Gross amount due to customers for contract work-in-progress decreased by S\$0.24 million for the half year ended 30 Jun 2016. This was mainly due to slower certification of work done in HY2016.

Liquidity

The Group maintained a healthy liquidity position as shown by a current ratio of 1.72 as at 30 June 2016. The Group's cash and cash equivalents, including pledged bank deposits of S\$0.65 million, stood at S\$8.65 million as at 30 June 2016.

Net cash used in operating activities for HY2016 was S\$2.49 million as compared to net cash generated of S\$0.15 million for HY2015. This was mainly due to higher sales turnover and higher accounts receivables as a result of more orders fulfilled HY2016.

Net cash generated from financing activities was S\$1.33 million in HY2016 as opposed to net cash used of S\$0.18 million in HY2015. This was mainly due to drawing down of banking facilities.

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

The results are in line with the prospect statement disclosed in the previous results announcement where we stated that our restructuring efforts are on-going and showing improvement.

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.

Conditions remain challenging. The Group is constantly vigilant about costs and remain on the lookout for new opportunities.

11. Dividend

(a) Current Financial Period Report on

Any dividend declared for the current financial period reported on?

N/A

(b) Corresponding Period of the immediately Preceding Financial Year

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

(c) Date payable

N/A

(d) Books closure date

N/A

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

No.

13. Interested Party Transactions

Name of interested person	Aggregate value of all interested transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	HY 2016	HY 2015	HY 2016	HY 2015
	\$'000	\$'000	\$'000	\$'000
Chern Dar Enterprise Co. Ltd				
Purchases	-	250	2,474	1,575

The Company wishes to advise that there is a general mandate obtained from shareholders for Interested Person Transactions on 28 October 2015

14. Negative Assurance Confirmation on Half Year Financial Results Pursuant to Rule 705(5) of the Listing Manual.

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the financial results of the 6 months ended 30 June 2016 to be false or misleading in any material aspect. A confirmation signed by two directors on behalf of the Board of Directors is on record.

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.

On Behalf of the Board of Directors

Name of Director:

Loh Yih

Name of Director

Wong Kok Chye

Designation:

Executive Chairman

Designation:

Executive Director and Group CEO

Wong Kok Chye

Group Chief Executive Officer

12 August 2016

This announcement has been prepared by the Company and its contents has been reviewed by the Company sponsor, RHT Capital Pte. Ltd. (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and 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.

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