



EASTGATE TECHNOLOGY LTD
(Company Registration no. 198905519R)

Half Year Financial Statement And Dividend Announcement for the Period Ended 28 February 2014

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

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

	Group	
	1-Sep-2013 to 28-Feb-2014 S\$'000	Audited 1-Sep-2012 to 28-Feb-2013 S\$'000
Revenue	17,860	17,611
Cost of sales	(12,808)	(12,907)
Gross profit	5,052	4,704
<i>Other income/(expenses)</i>		
- Other income	358	480
- Selling and distribution expenses	(1,616)	(1,473)
- Administrative expenses	(3,180)	(3,038)
- Finance costs	(335)	(276)
- Other expenses	(158)	(201)
Profit before income tax	121	196
Income tax expense	(15)	(129)
Profit for the financial period	106	67
Other comprehensive income:		
Currency translation differences on translating foreign operations	53	337
Income tax relating to component of other comprehensive income	-	-
Other comprehensive income for the financial period, net of tax	53	337
Total comprehensive income for the financial period	159	404
Profit for the financial period attributable to:		
Owners of the parent	2	5
Non-controlling interests	104	62
	106	67
Total comprehensive income attributable to:		
Owners of the parent	32	199
Non-controlling interests	127	205
	159	404

The following items have been included in arriving at profit before tax:-

	Group	
	1-Sep-2013 to 28-Feb-2014 S\$'000	Audited 1-Sep-2012 to 28-Feb-2013 S\$'000
Allowance for inventories obsolescence	-	(216)
Allowance for doubtful trade receivables	(1)	(48)
Amortisation of intangible assets	(115)	(115)
Bad debts written off	(26)	(5)
Depreciation of investment properties	(75)	(75)
Depreciation of property, plant and equipment	(364)	(333)
Depreciation of property, plant and equipment allocated to Cost of Sales	(704)	(664)
Employee benefits expenses	(5,100)	(4,591)
Fair value loss on derivative financial instruments	-	(3)
Foreign exchange gain/(loss) - net	4	(21)
Gain on disposal of property, plant and equipment	-	24
Interest on borrowings	(287)	(233)
Inventories written off	-	(7)
Rental income	296	327
Reversal of allowance for Inventories obsolescence	-	207
Write-back of allowance for doubtful receivables	13	42

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	
	As at 28-Feb-2014 S\$'000	Audited As at 31-Aug-2013 S\$'000	As at 28-Feb-2014 S\$'000	Audited As at 31-Aug-2013 S\$'000
Non-current assets				
Property, plant & equipment	17,251	15,936	-	-
Investment properties	2,345	2,420	-	-
Intangible assets	1,847	1,962	-	-
Investment in subsidiaries	-	-	23,620	23,620
Total non-current assets	21,443	20,318	23,620	23,620
Current assets				
Inventories	18,801	18,254	-	-
Trade receivables	9,834	10,649	-	-
Current income tax recoverable	84	-	-	-
Amount due from subsidiaries (non-trade)	-	-	354	728
Amount due from other related parties (non-trade)	-	21	-	-
Other receivables and deposits	5,363	3,674	4,050	3,480
Prepayment	134	1,244	15	15
Fixed deposits	15	15	-	-
Cash & bank balances	1,236	1,266	14	11
Total current assets	35,467	35,123	4,433	4,234
Less:				
Current liabilities				
Income tax payable	-	(320)	-	-
Dividend payables	-	-	-	-
Trade payables	(3,223)	(3,353)	-	-
Other payables and accruals	(1,484)	(2,538)	(151)	(201)
Amount due to subsidiaries (non-trade)	-	-	(1,067)	-
Amount due to related parties (non-trade)	(82)	(85)	-	(28)
Derivative financial instruments	-	(6)	-	-
Due to directors	-	-	-	-
Borrowings (secured)	(11,718)	(10,766)	(1,583)	(2,083)
Borrowings (unsecured)	(2,520)	(1,724)	-	-
Finance lease payables (secured)	(1,242)	(1,014)	-	-
Bank overdrafts (secured)	(245)	-	-	-
Total current liabilities	(20,514)	(19,806)	(2,801)	(2,312)
Net current assets	14,953	15,317	1,632	1,922
Non-current liabilities				
Borrowings (secured)	(2,488)	(1,812)	-	-
Hire purchase (secured)	(1,495)	(1,513)	-	-
Deferred tax liabilities	(798)	(854)	-	-
Total non-current liabilities	(4,781)	(4,179)	-	-
Net assets	31,615	31,456	25,252	25,542
Capital and reserves				
Share capital	26,700	26,700	26,700	26,700
Translation reserve	806	776	-	-
Retained earnings/(accumulated losses)	(1,306)	(1,308)	(1,448)	(1,158)
Equity attributable to owners of the parent	26,200	26,168	25,252	25,542
Non-controlling interests	5,415	5,288	-	-
Total equity	31,615	31,456	25,252	25,542

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

Amount repayable in one year or less, or on demand

As at 28 Feb 2014 (S\$'000)		As at 31 Aug 2013 (S\$'000)	
Secured	Unsecured	Secured	Unsecured
13,205	2,520	11,780	1,724

Amount repayable after one year

As at 28 Feb 2014 (S\$'000)		As at 31 Aug 2013 (S\$'000)	
Secured	Unsecured	Secured	Unsecured
3,983	-	3,325	-

Details of collaterals

The Group's borrowings are secured by:

- Corporate guarantee by the Company and a subsidiary
- Assignment of rental proceeds from an investment property of a subsidiary
- First legal mortgage of subsidiaries' properties and investment properties
- Deed of assignment and mortgage-in-escrow (open) over subsidiary's property under construction
- Pledge of subsidiary's short-term deposit with the bank
- Joint and several guarantees by certain Directors of the Company and of a subsidiary

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.

	Group	
	1-Sep-2013 to 28-Feb-2014 S\$'000	Audited 1-Sep-2012 to 28-Feb-2013 S\$'000
Operating activities		
Profit before income tax:	121	196
Allowance for inventory obsolescence	-	216
Allowance for doubtful trade receivables	1	48
Amortisation of intangible assets	115	115
Bad debts written off	26	5
Depreciation of investment properties	75	75
Depreciation of property, plant & equipment	1,068	997
Fair value (gain)/loss on derivative financial instruments	(6)	3
Impairment loss on write-down of property, plant and equipment	15	-
Interest expenses	287	233
Interest income	(1)	(1)
Inventories written off	-	7
Gain on disposal of property, plant & equipment	-	(24)
Property, plant and equipment written off	-	8
Reversal of allowance for inventory obsolescence	-	(207)
Write-back of allowance for doubtful receivables	(13)	(42)
Unrealised exchange loss	92	(118)
Operating cash flows before working capital changes	1,780	1,511
Changes in working capital:		
Trade and other receivables	(867)	(1,552)
Prepayment	1,110	793
Inventories	(547)	(1,495)
Trade and other payables	(1,187)	533
Cash generated from operations	289	(210)
Interest income	1	1
Incomes tax paid	(474)	(120)
Net cash used in operating activities	(184)	(329)
Investing activities		
Proceeds from sale of property, plant & equipment	16	31
Purchases of property, plant & equipment	(853)	(1,219)
Net cash used in investing activities	(837)	(1,188)
Financing activities		
Interest paid	(287)	(233)
Proceeds from borrowings	2,750	7,300
Repayment of borrowings	(1,078)	(5,700)
Repayment of finance lease	(612)	(305)
Withdrawal of fixed deposit pledged to banks	-	80
Net cash from financing activities	773	1,142
Net change in cash and cash equivalents	(248)	(375)
Cash and cash equivalents at beginning of financial period	1,239	1,863
Cash and cash equivalents at end of financial period	991	1,488
Fixed deposits with banks	15	15
Cash and bank balances	1,236	1,657
Cash and cash equivalents (as reported in the Statement of financial position)	1,251	1,672
Fixed deposits pledged	(15)	(15)
Bank overdrafts	(245)	(169)
Cash and cash equivalents (as reported in the statement of cash flows)	991	1,488

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	Share capital S\$'000	Foreign Currency Translation Reserve S\$'000	Retained Earnings / (Accumulated losses) S\$'000	Total attributable to equity holders of the Company S\$'000	Non-controlling Interests S\$'000	Total S\$'000
Balance at 1 September 2013	26,700	776	(1,308)	26,168	5,288	31,456
Profit for the financial period	-	-	2	2	104	106
Dividend	-	-	-	-	-	-
<u>Other comprehensive income for the financial period</u>						
Foreign currency differences on translation of foreign operations	-	30	-	30	23	53
Balance at 28 February 2014	26,700	806	(1,306)	26,200	5,415	31,615
Balance as at 1 September 2012	26,700	388	(1,318)	25,770	4,876	30,646
Loss for the financial period	-	-	5	5	62	67
Dividend	-	-	-	-	-	-
<u>Other comprehensive income for the financial period</u>						
Foreign currency differences on translation of foreign operations	-	194	-	194	143	337
Balance as at 28 February 2013	26,700	582	(1,313)	25,969	5,081	31,050

Company	Share capital S\$'000	Retained Earnings / (Accumulated losses)	Total S\$'000
Balance at 1 September 2013	26,700	(1,158)	25,542
Loss for the financial period, representing total comprehensive income for the financial period	-	(290)	(290)
Dividend	-	-	-
Balance at 28 February 2014	26,700	(1,448)	25,252
Balance as at 1 September 2012	26,700	(535)	26,165
Loss for the financial period, representing total comprehensive income for the financial period	-	(311)	(311)
Balance as at 28 February 2013	26,700	(846)	25,854

- 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 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.

Shares

Date	Description	No of shares	Paid-up Capital S\$'000
1 Sep 2013 & 28 Feb 2014	Issued and paid-up capital	1,196,348,241	26,700
1 Sep 2012 & 28 Feb 2013	Issued and paid-up capital	1,196,348,241	26,700

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at end of the current financial period and as at the end of the immediately preceding year.

	As at	
	28-Feb-14	31-Aug-2013
Total number of issued shares	1,196,348,241	1,196,348,241
Less: Treasury shares	-	-
Total number of issued shares excluding treasury shares	1,196,348,241	1,196,348,241

- 1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at 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 in this announcement have not been audited or reviewed by the auditors.

- 3 Where the figures have been audited or reviewed, the auditor's 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 accounting policies and methods of computation applied by the Group are consistent with those used in its most recently audited financial statements.

- 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 same accounting policies and methods of computation as in the Group's most recently audited financial statements for the financial year ended 31 August 2013 have been applied.

- 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.

	Group	
	1-Sep-2013 to 28-Feb-2014	Audited 1-Sep-2012 to 28-Feb-2013
Weighted average number of ordinary shares on issue	1,196,348,241	1,196,348,241
Profit/(loss) attributable to owners of the parent (\$'000)	2	5
- On a fully diluted basis (cents)	0.0001	0.0004

- 7 **Net asset value (for the issuer and group) per ordinary share based on 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.**

	Group		Company	
	As at 28-Feb-2014	Audited As at 31-Aug-2013	As at 28-Feb-2014	Audited As at 31-Aug-2013
Net assets value per ordinary share based on issued share capital of the issuer at the end of the period reported (cents)	2.64	2.63	2.11	2.14
Number of ordinary shares in issue	1,196,348,241	1,196,348,241	1,196,348,241	1,196,348,241

- 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*

For the period ended 28 Feb 2014, the Group recorded revenue of S\$17.9 million. This gave rise to gross profit of S\$5.1 million. 51.9% of the revenues was contributed by the retail, original equipment manufacturing ("OEM") and export business segments, while the remaining 48.1% was contributed by the precision engineering business segment.

The global economy has not changed substantially. This is reflected in the Group's revenue which increased by 1.4% in the current period as compared to that in the six months ended 28 Feb 2013. Despite the inflationary pressures in the economic environment, the Group managed to decrease its direct costs by 0.8%. Thus, the Group recorded gross profit that was 7.4% higher than in the comparative period. Gross profit margin was 28.3% for the period compared to 26.7% in the corresponding period.

However, employee benefits (including salaries) expenses increased by 11.1% due to increase in headcount, higher overtime payments, foreign worker levies and general increase in salaries, especially as the market salary for staff and required skilled labour increased. Finance costs also increased by 21.4% due to new loans drawn down.

The higher employment and finance costs resulted in the Group recording a lower profit before income taxes of S\$0.1m in the current period as compared to S\$0.2m in the corresponding period.

- (b) *any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.*

Total interest bearing liabilities increased by S\$2.9m due to new loans drawn down for the progressive payments made for a property under construction, purchase of plant & machinery, furniture & fittings, renovation and the settlement of the balance consideration to complete the proposed investment of 10% equity interest in Espressif Group.

- 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.**

In the next reporting period and the next 12 months, we expect operating conditions experienced to persist. Global factors, such as stiffening competition, rising raw material and operating costs are expected to continue to challenge our Group, as well as many others globally.

Our Group will continue to take steps to keep ourselves resilient and competitive amidst these challenging conditions, while seeking new growth opportunities. In particular, the Group will continue to source for products with better quality and pricing in the competitive markets and improve its cost efficiency, and tap into new and specialised markets with higher barriers to entry to improve its profit margins and profitability respectively. We are expanding our local presence by opening one more retail outlet in the Northern part of Singapore to further capture the local market share. This outlet is expected to commence business in June 2014.

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

- (a) **Whether an interim (final) ordinary dividend has been declared (recommended)?**

None.

- (b)(i) **Amount per share:** 0 cents

- (b)(ii) **Previous corresponding period:** 0 cents

- (c) **Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not Applicable

- (d) **The date the dividend is payable**

Not Applicable

- (e) **The date on which Registrable Transfers received by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.**

Not Applicable

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

No dividend has been declared/recommendedd.

13 Interested Person Transactions

No mandate was sought or obtained from shareholders for the Company to deal with Interested Persons in recurrent transactions of a revenue or trading nature or in transactions necessary for day-to-day operations.

Name of Interested Person	Aggregate value of all interested person	Aggregate value of all interested
-	S\$'000 -	S\$'000 -

14 Confirmation by the Board pursuant to Rule 705(5)

We, Teo Cher Cheong and Teo Teck Leong, being two directors of the Company, do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the half-year ended 28 Feb 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Teo Teck Leong
Managing Director
14-Apr-14