



# ALLIED TECHNOLOGIES LIMITED

## Financial Statement for the period ended 30 June 2016

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

**1 (a) An income statement and statement of comprehensive income (for the issuer and group) together with a comparative statement for the corresponding period of the immediately preceding financial period.**

|                                                                                  | GROUP           |                 |              |                 |                 |                  |
|----------------------------------------------------------------------------------|-----------------|-----------------|--------------|-----------------|-----------------|------------------|
|                                                                                  | 3 months ended  |                 |              | 6 months ended  |                 |                  |
|                                                                                  | 2Q FY16         | 2Q FY15         | +/(-) %      | 1H FY16         | 1H FY15         | +/(-) %          |
|                                                                                  | S\$'000         | S\$'000         |              | S\$'000         | S\$'000         |                  |
| Revenue                                                                          | 28,741          | 28,111          | 2%           | 56,042          | 56,662          | (1%)             |
| Other income                                                                     | 406             | 539             | (25%)        | 850             | 909             | (6%)             |
| <b>Total revenue</b>                                                             | <b>29,147</b>   | <b>28,650</b>   | <b>2%</b>    | <b>56,892</b>   | <b>57,571</b>   | <b>(1%)</b>      |
| Change in inventories of finished goods and work-in-progress                     | (735)           | 1,590           | (> 100%)     | (1,382)         | (1,005)         | 38%              |
| Raw materials and consumables used                                               | (17,920)        | (19,015)        | (6%)         | (35,290)        | (34,365)        | 3%               |
| Depreciation expenses                                                            | (1,048)         | (1,308)         | (20%)        | (2,247)         | (2,660)         | (16%)            |
| Amortisation expenses                                                            | (4)             | (4)             | 0%           | (9)             | (9)             | 0%               |
| Staff costs                                                                      | (5,773)         | (5,629)         | 3%           | (11,393)        | (11,164)        | 2%               |
| Other operating expenses                                                         | (4,207)         | (5,449)         | (23%)        | (8,192)         | (9,302)         | (12%)            |
| <b>Total operating expenses</b>                                                  | <b>(29,687)</b> | <b>(29,815)</b> | <b>(0%)</b>  | <b>(58,513)</b> | <b>(58,505)</b> | <b>0%</b>        |
| <b>Loss from operating activities</b>                                            | <b>(540)</b>    | <b>(1,165)</b>  | <b>(54%)</b> | <b>(1,621)</b>  | <b>(934)</b>    | <b>74%</b>       |
| Interest on borrowings                                                           | (96)            | (50)            | 92%          | (187)           | (71)            | > 100%           |
| <b>Loss before income tax</b>                                                    | <b>(636)</b>    | <b>(1,215)</b>  | <b>(48%)</b> | <b>(1,808)</b>  | <b>(1,005)</b>  | <b>80%</b>       |
| <b>Income tax</b>                                                                |                 |                 |              |                 |                 |                  |
| - current year                                                                   | -               | (39)            | (100%)       | -               | (104)           | (100%)           |
| - prior year                                                                     | -               | -               | n.m          | -               | -               | n.m              |
| - deferred tax                                                                   | -               | -               | n.m          | -               | -               | n.m              |
|                                                                                  | -               | (39)            | (100%)       | -               | (104)           | (100%)           |
| <b>Loss after income tax</b>                                                     | <b>(636)</b>    | <b>(1,254)</b>  | <b>(49%)</b> | <b>(1,808)</b>  | <b>(1,109)</b>  | <b>63%</b>       |
| Attributable to:                                                                 |                 |                 |              |                 |                 |                  |
| Equity holders of the Company                                                    | <b>(636)</b>    | <b>(1,254)</b>  | <b>(49%)</b> | <b>(1,808)</b>  | <b>(1,109)</b>  | <b>63%</b>       |
| <b>Statement of comprehensive income</b>                                         |                 |                 |              |                 |                 |                  |
| <b>Loss after income tax</b>                                                     | <b>(636)</b>    | <b>(1,254)</b>  | <b>(49%)</b> | <b>(1,808)</b>  | <b>(1,109)</b>  | <b>63%</b>       |
| <i>Other comprehensive income</i>                                                |                 |                 |              |                 |                 |                  |
| Translation differences relating to financial statements of foreign subsidiaries | (817)           | (630)           | 30%          | (3,046)         | 783             | (> 100%)         |
| <b>Total comprehensive income for the period</b>                                 | <b>(1,453)</b>  | <b>(1,884)</b>  | <b>(23%)</b> | <b>(4,854)</b>  | <b>(326)</b>    | <b>&gt; 100%</b> |
| <b>Attributable to equity holders of the Company</b>                             | <b>(1,453)</b>  | <b>(1,884)</b>  | <b>(23%)</b> | <b>(4,854)</b>  | <b>(326)</b>    | <b>&gt; 100%</b> |

**1 (a) An income statement and statement of comprehensive income (for the issuer and group) together with a comparative statement for the corresponding period of the immediately preceding financial period. (continued)**

**Notes:**

- (i) n.m. - not meaningful
- (ii) Loss before income tax is arrived at after charging/(crediting) the followings:

|                                                                 | GROUP   |         |         |         |
|-----------------------------------------------------------------|---------|---------|---------|---------|
|                                                                 | 2Q FY16 | 2Q FY15 | 1H FY16 | 1H FY15 |
|                                                                 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| (a) <b>Raw materials and consumables used:</b>                  |         |         |         |         |
| Allowance for/(write-back of) inventory obsolescence            | 191     | (399)   | 226     | (841)   |
| Inventories written off                                         | -       | 89      | -       | 231     |
| (b) <b>Other income:</b>                                        |         |         |         |         |
| Interest income                                                 | (10)    | (9)     | (21)    | (20)    |
| Gain on disposal of property, plant and equipment               | -       | (415)   | (194)   | (460)   |
| Amortisation of deferred compensation income                    | (122)   | (129)   | (250)   | (256)   |
| Rental income                                                   | (59)    | (17)    | (81)    | (87)    |
| (c) <b>Operating loss is stated after charging/(crediting):</b> |         |         |         |         |
| (Write back of)/allowance for impairment on trade debtors       | (128)   | 208     | (373)   | 209     |
| Foreign exchange losses                                         | 444     | 511     | 606     | 70      |

**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.**

|                                                             | <b>GROUP</b>    |                 | <b>COMPANY</b>  |                 |
|-------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                             | <b>30/06/16</b> | <b>31/12/15</b> | <b>30/06/16</b> | <b>31/12/15</b> |
|                                                             | <b>S\$'000</b>  | <b>S\$'000</b>  | <b>S\$'000</b>  | <b>S\$'000</b>  |
| <b>Non-current assets</b>                                   |                 |                 |                 |                 |
| Intangible assets                                           | 151             | 165             | 17              | 24              |
| Property, plant and equipment                               | 34,401          | 47,531          | 46              | 46              |
| Investment property                                         | -               | 4,363           | -               | -               |
| Investment in subsidiaries                                  | -               | -               | 34,514          | 34,515          |
| Loan receivables from subsidiaries                          | -               | -               | 17,812          | 19,116          |
| Deferred tax assets                                         | 822             | 888             | -               | -               |
| Other investments                                           | 2,205           | 2,205           | 2,081           | 2,081           |
| Fixed deposits (pledged)                                    | -               | 341             | -               | 341             |
|                                                             | <b>37,579</b>   | <b>55,493</b>   | <b>54,470</b>   | <b>56,123</b>   |
| <b>Current assets</b>                                       |                 |                 |                 |                 |
| Inventories                                                 | 9,004           | 12,849          | -               | -               |
| Amounts due from subsidiaries                               | -               | -               | 10,090          | 10,517          |
| Trade debtors                                               | 25,178          | 37,784          | 1,284           | 1,690           |
| Other debtors                                               | 3,643           | 4,728           | 230             | 1,445           |
| Prepayments and advances to suppliers                       | 1,399           | 719             | 172             | 41              |
| Income tax recoverable                                      | 64              | 68              | -               | -               |
| Fixed deposits (pledged)                                    | 1,052           | 660             | 323             | -               |
| Cash and bank balances                                      | 11,603          | 15,514          | 462             | 958             |
|                                                             | <b>51,943</b>   | <b>72,322</b>   | <b>12,561</b>   | <b>14,651</b>   |
| Assets in subsidiaries classified as held for sale          | 22,233          | -               | -               | -               |
| <b>Total current assets</b>                                 | <b>74,176</b>   | <b>72,322</b>   | <b>12,561</b>   | <b>14,651</b>   |
| <b>Current liabilities</b>                                  |                 |                 |                 |                 |
| Trade creditors                                             | 19,917          | 31,077          | 157             | 83              |
| Hire purchase creditor                                      | 8               | 8               | -               | -               |
| Other creditors and accruals                                | 6,284           | 9,126           | 3,065           | 3,277           |
| Deferred compensation income                                | 477             | 515             | -               | -               |
| Loans and borrowings                                        | 8,448           | 9,595           | 2,400           | 3,359           |
|                                                             | <b>35,134</b>   | <b>50,321</b>   | <b>5,622</b>    | <b>6,719</b>    |
| Liabilities in subsidiaries classified as held for sale     | 5,481           | -               | -               | -               |
| <b>Total current liabilities</b>                            | <b>40,615</b>   | <b>50,321</b>   | <b>5,622</b>    | <b>6,719</b>    |
| <b>Net current assets</b>                                   | <b>33,561</b>   | <b>22,001</b>   | <b>6,939</b>    | <b>7,932</b>    |
| <b>Non-current liabilities</b>                              |                 |                 |                 |                 |
| Hire purchase creditor                                      | 7               | 12              | -               | -               |
| Deferred compensation income                                | 8,104           | 9,018           | -               | -               |
| Loans and borrowings                                        | -               | 262             | -               | 262             |
| Deferred tax liabilities                                    | 3,982           | 4,301           | -               | -               |
|                                                             | <b>12,093</b>   | <b>13,593</b>   | <b>-</b>        | <b>262</b>      |
| <b>TOTAL NET ASSETS</b>                                     | <b>59,047</b>   | <b>63,901</b>   | <b>61,409</b>   | <b>63,793</b>   |
| <b>Equity attributable to equity holders of the Company</b> |                 |                 |                 |                 |
| Share capital                                               | 57,337          | 57,337          | 57,337          | 57,337          |
| Foreign currency translation reserve                        | (309)           | 2,737           | -               | -               |
| Statutory reserve fund                                      | 4,889           | 4,889           | -               | -               |
| Other reserves                                              | 189             | 189             | 189             | 189             |
| (Accumulated losses)/retained earnings                      | (3,059)         | (1,251)         | 3,883           | 6,267           |
| <b>TOTAL EQUITY</b>                                         | <b>59,047</b>   | <b>63,901</b>   | <b>61,409</b>   | <b>63,793</b>   |

**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. (continued)**

**Subsidiaries classified as held for sale**

On 2 June 2016, the Company had entered into the following agreements:

- (a) a sale and purchase agreement ("**TCSF SPA**") with Carapace Daybreak Ltd. (the "**Purchaser**") as the purchaser in respect of the proposed transaction in which the Company will be selling to the Purchaser the entire equity interest of Taicang Shanfeng Hardware Co., Ltd. ("**TCSF**") comprising a registered capital of USD 1,500,000 (the "**TCSF Equity**") on the terms of the TCSF SPA (the "**TCSF Transaction**"); and
- (b) a sale and purchase agreement ("**AMSH SPA**") with the Purchaser in respect of the proposed transaction in which the Company will be selling to the Purchaser the entire equity interest of Allied Machineries (Shanghai) Co., Ltd. ("**AMSH**") comprising a registered capital of USD 9,010,000 (the "**AMSH Equity**") on the terms of the AMSH SPA (the "**AMSH Transaction**").

The completion of the TCSF Transaction and the completion of the AMSH Transaction are to be concurrent and inter-conditional upon the completion of each other (*this condition may not be waived*).

As at 30 June 2016, the assets and liabilities related to TCSF and AMSH have been presented in the balance sheet as "Assets in subsidiaries classified as held for sale" and "Liabilities in subsidiaries classified as held for sale".

Both the TCSF Transaction and AMSH Transaction had been approved by shareholders during the Extraordinary General Meeting held on 8 August 2016.

The major classes of assets and liabilities of subsidiaries classified as held for sale as at 30 June 2016 are as follows:

|                                                         | <b>TCSF and AMSH</b> |
|---------------------------------------------------------|----------------------|
|                                                         | <b>S\$'000</b>       |
| <b><u>Assets:</u></b>                                   |                      |
| Property, plant and equipment                           | 8,765                |
| Investment property                                     | 3,983                |
| Inventories                                             | 1,813                |
| Trade and other debtors                                 | 5,080                |
| Cash and bank deposits                                  | 2,592                |
| Assets in subsidiaries classified as held for sale      | <u>22,233</u>        |
| <b><u>Liabilities:</u></b>                              |                      |
| Trade and other creditors                               | (4,026)              |
| Loans and borrowings                                    | (1,455)              |
| Liabilities in subsidiaries classified as held for sale | <u>(5,481)</u>       |

**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 June 2016 |                      | As at 31 December 2015 |                      |
|--------------------|----------------------|------------------------|----------------------|
| Secured<br>S\$'000 | Unsecured<br>S\$'000 | Secured<br>S\$'000     | Unsecured<br>S\$'000 |
| 8,456              | -                    | 9,603                  | -                    |

**Amount repayable after one year**

| As at 30 June 2016 |                      | As at 31 December 2015 |                      |
|--------------------|----------------------|------------------------|----------------------|
| Secured<br>S\$'000 | Unsecured<br>S\$'000 | Secured<br>S\$'000     | Unsecured<br>S\$'000 |
| 7                  | -                    | 274                    | -                    |

**Details of any collateral**

The Group's borrowings comprise of hire purchase creditor and loans and borrowings.

The hire purchase creditor relates to an asset of the Company's subsidiary which is financed under hire purchase.

The loans and borrowings are secured facilities granted to the Company and its subsidiaries (collectively, the "**Group**"). The secured facilities granted are secured by:

- (1) a debenture with fixed and floating charges over all the assets of the Company;
- (2) fixed deposits placement by the Company and its respective subsidiaries;
- (3) a leasehold land and properties of the respective subsidiaries; and
- (4) an agreed amount of corporate guarantee provided by the Company.

**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.**

**Consolidated cash flow statement for the year ended 30 June**

|                                                                       | <b>3 months ended</b> |                | <b>6 months ended</b> |                |
|-----------------------------------------------------------------------|-----------------------|----------------|-----------------------|----------------|
|                                                                       | <b>2Q FY16</b>        | <b>2Q FY15</b> | <b>1H FY16</b>        | <b>1H FY15</b> |
|                                                                       | <b>S\$'000</b>        | <b>S\$'000</b> | <b>S\$'000</b>        | <b>S\$'000</b> |
| <b>Cash flows from operating activities</b>                           |                       |                |                       |                |
| Loss before income tax                                                | (636)                 | (1,215)        | (1,808)               | (1,005)        |
| Adjustments for:                                                      |                       |                |                       |                |
| Gain on disposal of property, plant and equipment                     | -                     | (415)          | (194)                 | (460)          |
| Depreciation of property, plant and equipment and investment property | 1,048                 | 1,307          | 2,247                 | 2,660          |
| Amortisation of intangible assets                                     | 4                     | 4              | 9                     | 9              |
| Amortisation of deferred compensation income                          | (122)                 | (129)          | (250)                 | (256)          |
| Interest income                                                       | (10)                  | (9)            | (21)                  | (20)           |
| Interest expense                                                      | 96                    | 50             | 187                   | 71             |
| Exchange differences                                                  | 345                   | 90             | 413                   | 532            |
| <b>Operating profit/(loss) before working capital changes</b>         | <b>725</b>            | <b>(317)</b>   | <b>583</b>            | <b>1,531</b>   |
| Decrease/(increase) in inventories                                    | 630                   | (255)          | 1,475                 | (417)          |
| (Increase)/decrease in trade debtors and other debtors                | (198)                 | 554            | 5,808                 | 197            |
| Decrease in trade creditors and other creditors                       | (4,230)               | (1,993)        | (8,140)               | (2,193)        |
| Cash used in operations                                               | (3,073)               | (2,011)        | (274)                 | (882)          |
| Interest paid                                                         | (96)                  | (50)           | (187)                 | (71)           |
| Interest received                                                     | 10                    | 9              | 21                    | 20             |
| Tax paid                                                              | -                     | (185)          | -                     | (293)          |
| <b>Net cash used in operating activities</b>                          | <b>(3,159)</b>        | <b>(2,237)</b> | <b>(440)</b>          | <b>(1,226)</b> |
| <b>Cash flows from investing activities</b>                           |                       |                |                       |                |
| Proceeds from disposal of property, plant and equipment               | -                     | 550            | 201                   | 611            |
| Purchase of property, plant and equipment                             | (290)                 | (267)          | (835)                 | (411)          |
| <b>Net cash (used in)/generated from investing activities</b>         | <b>(290)</b>          | <b>283</b>     | <b>(634)</b>          | <b>200</b>     |
| <b>Cash flows from financing activities</b>                           |                       |                |                       |                |
| Net (decrease)/increase in hire purchase creditors                    | (2)                   | 25             | (4)                   | 25             |
| Repayment of amount due to a director                                 | -                     | -              | -                     | (600)          |
| Drawdown of bank borrowings                                           | 2,677                 | 3,225          | 4,938                 | 5,528          |
| Repayment of bank borrowings                                          | (1,257)               | (3)            | (4,230)               | (2,643)        |
| (Increase)/decrease in pledged fixed deposit                          | (451)                 | 2              | (510)                 | (52)           |
| <b>Net cash generated from financing activities</b>                   | <b>967</b>            | <b>3,249</b>   | <b>194</b>            | <b>2,258</b>   |
| Net (decrease)/increase in cash and cash equivalents                  | (2,482)               | 1,295          | (880)                 | 1,232          |
| Cash and cash equivalents at beginning of period                      | 16,361                | 9,906          | 15,514                | 10,256         |
| Effects of exchange rates on opening cash                             | (88)                  | 192            | (843)                 | (95)           |
| <b>Cash and cash equivalents at end of period</b>                     | <b>13,791</b>         | <b>11,393</b>  | <b>13,791</b>         | <b>11,393</b>  |

- 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 period.

**Consolidated Statement of Changes in Shareholders' Equity for the period ended 30 June  
(In S\$'000)**

|                                              | Ordinary<br>shares | Foreign<br>currency<br>translation<br>reserve | Statutory<br>reserve<br>fund | Other<br>reserves | Accumulated<br>losses | Total equity<br>attributable<br>to owners of<br>the Company |
|----------------------------------------------|--------------------|-----------------------------------------------|------------------------------|-------------------|-----------------------|-------------------------------------------------------------|
| <b>Group</b>                                 |                    |                                               |                              |                   |                       |                                                             |
| <b>Balance as at 1 January 2016</b>          | 57,337             | 2,737                                         | 4,889                        | 189               | (1,251)               | 63,901                                                      |
| Total comprehensive income<br>for the period | -                  | (2,229)                                       | -                            | -                 | (1,172)               | (3,401)                                                     |
| <b>Balance as at 31 March 2016</b>           | <b>57,337</b>      | <b>508</b>                                    | <b>4,889</b>                 | <b>189</b>        | <b>(2,423)</b>        | <b>60,500</b>                                               |
| Total comprehensive income<br>for the period | -                  | (817)                                         | -                            | -                 | (636)                 | (1,453)                                                     |
| <b>Balance as at 30 June 2016</b>            | <b>57,337</b>      | <b>(309)</b>                                  | <b>4,889</b>                 | <b>189</b>        | <b>(3,059)</b>        | <b>59,047</b>                                               |
| <br><b>Balance as at 1 January 2015</b>      | <br>57,337         | <br>983                                       | <br>4,889                    | <br>189           | <br>(1,578)           | <br>61,820                                                  |
| Total comprehensive income<br>for the period | -                  | 1,413                                         | -                            | -                 | 145                   | 1,558                                                       |
| <b>Balance as at 31 March 2015</b>           | <b>57,337</b>      | <b>2,396</b>                                  | <b>4,889</b>                 | <b>189</b>        | <b>(1,433)</b>        | <b>63,378</b>                                               |
| Total comprehensive income<br>for the period | -                  | (630)                                         | -                            | -                 | (1,254)               | (1,884)                                                     |
| <b>Balance as at 30 June 2015</b>            | <b>57,337</b>      | <b>1,766</b>                                  | <b>4,889</b>                 | <b>189</b>        | <b>(2,687)</b>        | <b>61,494</b>                                               |

- 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 period. (continued)

(In S\$'000)

|                                           | Ordinary<br>shares | Other<br>reserves | Retained<br>earnings | Total equity<br>attributable<br>to owners of<br>the Company |
|-------------------------------------------|--------------------|-------------------|----------------------|-------------------------------------------------------------|
| <b><u>Company</u></b>                     |                    |                   |                      |                                                             |
| <b>Balance as at 1 January 2016</b>       | 57,337             | 189               | 6,267                | 63,793                                                      |
| Total comprehensive income for the period | -                  | -                 | (1,948)              | (1,948)                                                     |
| <b>Balance as at 31 March 2016</b>        | <b>57,337</b>      | <b>189</b>        | <b>4,319</b>         | <b>61,845</b>                                               |
| Total comprehensive income for the period | -                  | -                 | (436)                | (436)                                                       |
| <b>Balance as at 30 June 2016</b>         | <b>57,337</b>      | <b>189</b>        | <b>3,883</b>         | <b>61,409</b>                                               |
| <br><b>Balance as at 1 January 2015</b>   | <br>57,337         | <br>189           | <br>5,104            | <br>62,630                                                  |
| Total comprehensive income for the period | -                  | -                 | 1,078                | 1,078                                                       |
| <b>Balance as at 31 March 2015</b>        | <b>57,337</b>      | <b>189</b>        | <b>6,182</b>         | <b>63,708</b>                                               |
| Total comprehensive income for the period | -                  | -                 | (1,770)              | (1,770)                                                     |
| <b>Balance as at 30 June 2015</b>         | <b>57,337</b>      | <b>189</b>        | <b>4,412</b>         | <b>61,938</b>                                               |

- 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.**

The share options to subscribe to the entire 1,464,000 unissued shares under the Company's Employee Share Option Scheme had expired on 30 June 2015.

- 1(d)(iii) 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.**

|                                                                     | <b>30 June 2016</b> | <b>31 December 2015</b> |
|---------------------------------------------------------------------|---------------------|-------------------------|
| Total number of issued shares ('000)<br>(excluding treasury shares) | 675,164             | 675,164                 |

- 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.

- 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.**

Save for the adoption of the new and revised Financial Reporting Standards, which came into effect at the beginning of this financial year on 1 January 2016, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as compared to those applied in the audited financial statements for the financial year ended 31 December 2015. The adoption of the new and revised Financial Reporting Standards will not give rise to any significant change to the 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.**

Not applicable.

- 6 **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

**Earnings Per Share**

| The Group                                          | 3 months ended                         |                                        | 6 months ended                         |                                        |
|----------------------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|
|                                                    | <u>2Q FY16</u><br>Basic /<br>Diluted * | <u>2Q FY15</u><br>Basic /<br>Diluted * | <u>1H FY16</u><br>Basic /<br>Diluted * | <u>1H FY15</u><br>Basic /<br>Diluted * |
| <u>Earnings (\$'000)</u>                           |                                        |                                        |                                        |                                        |
| Loss attributable to equity holders of the Company | (636)                                  | (1,254)                                | (1,808)                                | (1,109)                                |
| Earnings per share (cents)                         |                                        |                                        |                                        |                                        |
| - Basic and diluted                                | (0.09)                                 | (0.19)                                 | (0.27)                                 | (0.16)                                 |

\*employees' share option (expired on 30 June 2015) are anti-dilutive

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

**Net asset value per ordinary share**

|                                                                                                  | Group     |           | Company   |           |
|--------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
|                                                                                                  | 30-Jun-16 | 31-Dec-15 | 30-Jun-16 | 31-Dec-15 |
| Net asset value per ordinary share based on issued share capital at end of the period (in cents) | 8.75      | 9.46      | 9.10      | 9.45      |
| Net asset value as at end of period (\$'000)                                                     | 59,047    | 63,901    | 61,409    | 63,793    |
| No. of ordinary shares ('000)                                                                    | 675,164   | 675,164   | 675,164   | 675,164   |

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**a. Revenue**

The Group's revenue in 2Q FY2016 increased slightly by 2% to S\$28.74 million as compared to 2Q FY2015. The increase is mainly attributed to the higher revenue achieved by the Company and its subsidiaries located in Malaysia, Vietnam and Thailand. However, the increase in 2Q FY2016 is partially mitigated by the absence of revenue, which was generated by the Company's Dongguan subsidiary in 2Q FY2015. Dongguan subsidiary has remained dormant since its cessation of operations in 3Q FY2015.

The revenue of the Company and its Malaysia subsidiary had increased by S\$1.06 million in total, mainly as a result of higher demand from existing projects. The revenue in Vietnam subsidiary had also increased significantly by S\$1.81 million due to higher orders received from its existing main customers.

Besides, Thailand subsidiary's sales are improving since its commencement of its major projects in FY2015. Revenue in Thailand subsidiary had increased by S\$0.95 million compared to that of 2Q FY2015.

Other income of the Group comprises mainly of rental income, interest income, amortisation of deferred compensation income and gain on disposal of property, plant and equipment ("**PPE**"). Other income of the Group is lower than in 2Q FY2015, by S\$0.13 million. This is mainly due to the recognition of gain on disposal of PPE in 2Q FY2015 arising from the disposal of all PPE in the Company's Dongguan subsidiary.

## **b. Operating results**

### Overall

In 2Q FY2016, the Group recorded a loss before tax of S\$0.64 million compared to a loss before tax of S\$1.22 million in 2Q FY2015. This is primarily due to slightly higher revenue achieved and lower total operating incurred in the 2Q FY2016. The total operating expenses had decreased marginally to S\$29.68 million in 2Q FY2016.

The Group's loss-making result in 2Q FY2016 is mainly due to the Company and its Shanghai and Taicang subsidiaries. The loss incurred by the Company is attributable to the unfavourable movement of the US Dollar exchange rate against the SGD and other administrative expenses incurred in headquarter.

Meanwhile, Shanghai and Taicang subsidiaries are making losses despite Shanghai subsidiary having new projects in 1Q FY2016 while Taicang subsidiary has generated rental income in 2Q FY2016 by renting out its premises and equipment. Losses incurred by Shanghai and Taicang subsidiaries are mainly due to Shanghai's high production and labours costs and the rental income earned by Taicang subsidiary is unable to cover its other operating expenses. On 2 June 2016, the Company had entered into agreements to dispose of these two loss-making subsidiaries with the anticipation to improve the overall Group financial performance.

However, the losses in the Company and Shanghai and Taicang subsidiaries have been partially mitigated by the profits made by Malaysia, Suzhou, and Thailand subsidiaries in 2Q FY2016.

Overall, the Group had recorded a loss after tax of S\$0.64 million in 2Q FY2016 and S\$1.81 million in 1H FY2016 respectively.

### Raw materials and consumables used

Compared to 2Q FY2015, raw materials and consumables used by the Group reduced by 6% despite revenue increased by 2% in 2Q FY2016. The decrease in raw materials and consumables used is mainly due to tighter controls in place in 2Q FY2016.

In 1H FY2016, the raw materials and consumables used have increased slightly by 3% to S\$35.29 million compared to 1H FY2015, of S\$34.37 million.

### Staff costs

Staff costs in 2Q FY2016 and 1H FY2016 increased slightly by 3% and 2% respectively.

This is due to the increase in total headcount of the Group from 1,829 as at 30 June 2015 to 2,055 as at 30 June 2016.

### Depreciation and amortisation expenses

Depreciation and amortisation expenses of the Group decreased by 20% and 16% in 2Q FY2016 and 1H FY2016 respectively.

The lower depreciation expenses is mainly attributable to the PPE that have been fully depreciated in 2Q FY2016. Besides, PPE that are being reclassified to held for sale as at 30 June 2016 are not subjected to depreciation charge in June 2016.

### Other operating expenses

Other operating expenses include packaging costs, carriage inwards, utilities, foreign exchange losses, and administrative expenses.

Other operating expenses decreased by 23% and 12% in 2Q FY2016 and 1H FY2016 respectively. This is because other operating expenses in 2Q FY2015 and 1H FY2015 included other operating expenses incurred by Dongguan subsidiaries, which had since ceased its operation in 3Q FY2015. The decrease in other operating expenses is also due to the tightening controls on expenses in all entities and is partially offset by the unfavorable movement of foreign currencies, which resulted in foreign exchange losses.

### Finance costs

The Group's finance costs increased to S\$0.10 million and S\$0.19 million in 2Q FY2016 and 1H FY2016 respectively. This is mainly attributed to higher bank borrowings drawn down by the Group in 2Q FY2016 and 1H FY2016.

Total loans and borrowings for the Group as at 30 June 2016 amounted to S\$9.90 million (before held for sale classification) as compared to S\$9.86 million as at 31 December 2015.

## **c. Balance Sheet and Cash Flow Statements**

The Group has S\$34.40 million of PPE balance as at 30 June 2016 compared to that of S\$47.53 million as at 31 December 2015. The decrease in the carrying amount of PPE is due to the held for sale classification made as at 30 June 2016, disposal of PPE and depreciation charged during the year. In addition, the effect of the weakening of the Renminbi ("**RMB**") against the Singapore Dollar ("**SGD**"), as compared to last December, had further reduced the carrying amount of PPE. As a result, the Company's subsidiaries in the PRC have a lower translated amount of PPE.

The carrying amount of investment property of the Group as at 31 December 2015 is S\$4.36 million. The amount is attributed to its Taicang subsidiary. The full carrying amount as at 30 June 2016 has been reclassified as assets held for sale in relation to the TCSF Transaction.

As at 30 June 2016, inventories balance decreased to S\$9.00 million due to higher sales demand from customers in the current quarter. The Group's trade debtors balance as at 30 June 2016 is lower compared to that of 31 December 2015, as a result of collections received from its trade debtors and the impact of weakening RMB.

Apart from the above, both the inventories and trade debtors balance as at 30 June 2016 had also been reduced by the amount reclassified to "Assets in subsidiaries classified as held for sale" in the Balance Sheet presentation.

Meanwhile, the Group's prepayments and advances to suppliers balances have increased to S\$1.40 million (after held for sale classification of S\$0.32 million) as at 30 June 2016. This is mainly due to the down-payment for fixed assets acquisition as well as advances made to new suppliers by the Company's overseas subsidiaries for the purchase of materials for new projects.

On the other hand, trade creditors' balance had decreased from S\$31.08 million to S\$19.92 million as a result of repayments made during the period. Similarly, the other creditors and accruals balances have also declined from S\$9.13 million to S\$6.28 million as at 30 June 2016. The decrease is mainly caused by repayments made to other creditors in relation to the operating expenses of the Group. Besides that, the trade creditors and other creditors and accruals balances as at 30 June 2016 are lower compared to 31 December 2015 and this is partly due to the held for sale classification of total S\$4.03 million.

The Group's deferred compensation income balance in Suzhou subsidiary had decreased to S\$8.58 million as at 30 June 2016 due to amortisation of deferred compensation income. In addition, the effect of the weakening of the RMB against the Singapore Dollar resulted in a lower translated balance.

As at 30 June 2016, the Group had reclassified out S\$1.46 million from its total loans and borrowings amount to liabilities held for sale. As a consequence, the total loans and borrowings had reduced to S\$8.45 million. The movement of loans and borrowings balance in the current period is pertaining to the drawdown of bank borrowings by the Company's overseas subsidiaries and is partially offset by the repayments made during the period.

Both deferred tax liabilities and deferred tax assets in the Group's balance sheet are attributed to the subsidiaries in the PRC. The lower total net deferred tax liabilities balances presented as at 30 June 2016 compared to 31 December 2015 is solely caused by the foreign currency translation differences.

For the period ended 30 June 2016, the Group recorded a net decrease in cash and cash equivalents of S\$0.88 million (before the effect of exchange rates on opening cash and cash equivalents), which decreased the cash and bank balances from S\$15.51 million to S\$13.79 million. The Group had used its cash and cash equivalents in operating and financing activities of S\$0.44 million and S\$0.64 million respectively and this is partially offset by the bank borrowings in its financing activities.

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

Nil.

**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 light of the uncertain global economic outlook, the business environment remains challenging. The Group will continue to seek ways to step up its marketing efforts to improve growth opportunities by securing high value-added projects to improve its utilisation capacity and productivity.

With the increase in production costs across the region, stiff pricing competition and foreign currency movements, the Group expects to face challenging business conditions in the next 12 months.

**11     Dividend**

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

Whether any dividend has been recommended for the current financial year reported on?

No.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Whether any dividend was 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 for the period ended 31 March 2016 has been declared or recommended.

**13 Interested Person Transactions**

The Group has not obtained a general mandate from shareholders for interested person transactions.

**14 Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1).**

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

**15. Confirmation by the Board pursuant to Rule 705 (5) of the Listing Manual**

On behalf of the Board of Directors of the Company, we, the undersigned, 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 statements of the Group and the Company for the second quarter ended 30 June 2016 to be false or misleading in any material aspect.

**ON BEHALF OF THE BOARD**

Hsu Ching Yuh @ Sheu Ching Yuh  
Group Managing Director and  
Chief Executive Officer

Soh Weng Kheong  
Group Deputy Managing Director

11 August 2016