

CHEMICAL INDUSTRIES (FAR EAST) LIMITED

Co. Reg. No. : 196200046K

UNAUDITED RESULTS FOR HALF YEAR ENDED 30 SEPTEMBER 2014

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

	THE GROUP	
	30 Sep 2014 S\$'000	30 Sep 2013 S\$'000
Revenue	45,822	54,431
Cost of sales	(37,642)	(46,604)
Gross Profit	8,180	7,827
Other operating income	228	265
Distribution expenses	(1,557)	(1,632)
Administrative expenses	(3,572)	(3,644)
Other operating expenses	(56)	(344)
Loss from fair value adjustments on forward foreign exchange contracts	(534)	(53)
Finance costs	(376)	(461)
Profit before tax	2,313	1,958
Income tax expenses	(194)	(461)
Profit for the period	2,119	1,497

1(a)(ii) Breakdown and explanatory notes to income statement for the group

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

	THE GROUP	
	30 Sep 2014 S\$'000	30 Sep 2013 S\$'000
Dividend income	19	20
Gain on disposal of property, plant and equipment	3	0
Insurance claim	12	56
Other income including interest income	194	189
Other operating income	228	265
Depreciation of property, plant and equipment	(4,629)	(4,072)
Foreign exchange loss	(56)	(344)
Interest on borrowings	(376)	(461)

1(a)(iii) Consolidated Statement of Comprehensive Income

	THE GROUP	
	30 Sep 2014	30 Sep 2013
	S\$'000	S\$'000
Profit for the period	2,119	1,497
Other comprehensive income (net of tax):		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Available-for-sale investments	27	(8)
Exchange differences on translating of foreign operations	3	(15)
Total comprehensive income for the period	<u>2,149</u>	<u>1,474</u>

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	THE GROUP		THE COMPANY	
	30 Sep 2014 S\$'000	31 Mar 2014 S\$'000	30 Sep 2014 S\$'000	31 Mar 2014 S\$'000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	21,956	23,899	17,094	19,518
Trade receivables	11,508	10,394	11,504	10,370
Other receivables and prepayments	1,511	843	1,422	763
Due from subsidiaries	0	0	3,237	3,152
Inventories	5,630	5,530	5,769	5,611
Total Current Assets	40,605	40,666	39,026	39,414
NON-CURRENT ASSETS				
Property, plant and equipment	63,473	67,811	62,850	67,081
Investment properties	38,400	38,400	0	0
Subsidiaries	0	0	6,383	6,383
Available-for-sale investments	678	626	678	626
Total Non-Current Assets	102,551	106,837	69,911	74,090
TOTAL ASSETS	143,156	147,503	108,937	113,504
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Bank overdrafts	0	3,017	0	3,017
Short-term bank loans	16,264	15,547	16,264	15,547
Trade payables	2,248	3,160	1,822	2,696
Other payables and accrued expenses	4,699	4,654	4,633	4,619
Due to subsidiaries	0	0	1,918	1,612
Current portion of long-term bank loans	5,425	5,425	5,425	5,425
Current portion of finance leases	148	154	48	47
Derivative financial instruments	562	28	562	28
Income tax payable	698	593	162	0
Total Current Liabilities	30,044	32,578	30,834	32,991
NON-CURRENT LIABILITIES				
Long-term bank loans	12,665	15,377	12,665	15,377
Finance leases	246	319	16	40
Deferred tax liabilities	8,554	8,592	8,544	8,581
Total Non-Current Liabilities	21,465	24,288	21,225	23,998
CAPITAL AND RESERVES				
Share capital	75,945	75,945	75,945	75,945
Reserves	2,390	2,360	524	497
Accumulated profit (losses)	13,312	12,332	(19,591)	(19,927)
Total Equity	91,647	90,637	56,878	56,515
TOTAL LIABILITIES AND EQUITY	143,156	147,503	108,937	113,504

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

	30 Sep 2014 S\$'000	31 Mar 2014 S\$'000
Amount repayable within one year		
Secured	21,837	24,143
Unsecured	0	0
	<u>21,837</u>	<u>24,143</u>
Amount repayable after one year		
Secured	12,911	15,696
Unsecured	0	0
	<u>12,911</u>	<u>15,696</u>
Total	<u>34,748</u>	<u>39,839</u>

Details of Collaterals

Details of bank loans and bank overdrafts are as follows:

- (a) Bank loans of \$18,090,000 (31 March 2014: \$20,802,000) and bank overdrafts of \$Nil (31 March 2014: \$3,017,000) of the group and company are secured by the following:

- i) a first all monies mortgage over the company's leasehold buildings;
- ii) a first fixed and floating charge over all the company's assets;
- iii) a first fixed charge over all cash and bank balances and fixed deposits of the company;
- iv) assignment by way of security, all relevant insurance policies of the company; and
- v) a negative pledge over all the company's assets.

The bank loans bear interest at 1.75% (31 March 2014: 1.75%) above swap rate per annum and bank overdrafts bear interest at 4.25% per annum (31 March 2014: 4.25%).

- (b) Finance leases amounting to \$394,000 (31 March 2014: \$473,000) are secured by plant and equipment under these finance lease arrangements.
- (c) Short-term bank loans amounting to \$16,264,000 (31 March 2014: \$15,547,000) are secured on the same terms as (a) above.

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

	THE GROUP	
	30 Sep 2014 S\$'000	30 Sep 2013 S\$'000
Operating activities		
Profit before tax	2,313	1,958
Adjustments for:		
Depreciation of property, plant and equipment	4,629	4,072
Loss from fair value adjustments on derivative financial instruments	534	53
Amortisation of front end fee	75	75
Foreign exchange differences	56	344
Dividend income	(19)	(20)
Gain on disposal of plant and equipment	(3)	0
Interest expense	376	461
Interest income	(2)	(3)
Operating cash flows before movements in working capital	7,959	6,940
Trade receivables	(1,041)	2,162
Other receivables and prepayments	(668)	(897)
Inventories	(100)	(181)
Trade payables	(931)	(586)
Other payables and accrued expenses	44	(698)
Cash generated from operations	5,263	6,740
Dividend paid	(1,139)	(759)
Income tax paid	(124)	(2)
Interest paid	(376)	(461)
Interest received	2	3
Dividends received	19	20
Net cash from operating activities	3,645	5,541
Investing activities		
Proceeds on disposal of plant and equipment	3	0
Purchase of property, plant and equipment	(291)	(1,561)
Additions to available-for-sale investments	(25)	0
Net cash used in investing activities	(313)	(1,561)
Financing activities		
Repayment from short-term bank loans	567	3,124
Repayment of long-term bank loans	(2,788)	(2,788)
Repayment of obligations under finance leases	(79)	(77)
Net cash (used in) from financing activities	(2,300)	259
Net increase in cash and cash equivalents	1,032	4,239
Cash and cash equivalents at beginning of the year	20,882	13,898
Effect of exchange rates on cash balances held in foreign currencies	42	(239)
Cash and cash equivalents at end of the year (Note A)	21,956	17,898

Note A

Cash and cash equivalents consist of:

	THE GROUP	
	30 Sep 2014	30 Sep 2013
	S\$'000	S\$'000
Cash and bank balances	21,956	21,434
Bank overdrafts	0	(3,536)
	<u>21,956</u>	<u>17,898</u>

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

	Share Capital	Translation reserve	Investment revaluation reserve	Total reserves	Accumulated profits	Attributable to equity holders of the company S\$'000
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
GROUP						
Balance at 1 April 2014	75,945	1,863	497	2,360	12,332	90,637
<u>Total comprehensive income for the year</u>						
Profit for the year	0	0	0	0	2,119	2,119
Other comprehensive income	0	3	27	30	0	30
Total	<u>0</u>	<u>3</u>	<u>27</u>	<u>30</u>	<u>2,119</u>	<u>2,149</u>
Dividends paid, representing transactions with owners, recognised directly in equity	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,139)</u>	<u>(1,139)</u>
Balance at 30 September 2014	<u>75,945</u>	<u>1,866</u>	<u>524</u>	<u>2,390</u>	<u>13,312</u>	<u>91,647</u>
Balance at 1 April 2013	75,945	1,885	494	2,379	2,746	81,070
<u>Total comprehensive income for the year</u>						
Profit for the year	0	0	0	0	1,497	1,497
Other comprehensive income	0	(15)	(8)	(23)	0	(23)
Total	<u>0</u>	<u>(15)</u>	<u>(8)</u>	<u>(23)</u>	<u>1,497</u>	<u>1,474</u>
Dividends paid, representing transactions with owners, recognised directly in equity	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(759)</u>	<u>(759)</u>
Balance at 30 September 2013	<u>75,945</u>	<u>1,870</u>	<u>486</u>	<u>2,356</u>	<u>3,484</u>	<u>81,785</u>

	Share capital S\$'000	Investment revaluation reserve S\$'000	Accumulated losses S\$'000	Total S\$'000
<u>COMPANY</u>				
Balance at 1 April 2014	75,945	497	(19,927)	56,515
<u>Total comprehensive income for the period</u>				
Profit for the period	0	0	1,475	1,475
Other comprehensive income	0	27	0	27
Total	<u>0</u>	<u>27</u>	<u>1,475</u>	<u>1,502</u>
Dividends paid, representing transaction with owners, recognised directly in equity	<u>0</u>	<u>0</u>	<u>(1,139)</u>	<u>(1,139)</u>
Balance at 30 September 2014	<u>75,945</u>	<u>524</u>	<u>(19,591)</u>	<u>56,878</u>
Balance at 1 April 2013	75,945	494	(21,753)	54,686
<u>Total comprehensive income for the period</u>				
Profit for the period	0	0	954	954
Other comprehensive income	0	(8)	0	(8)
Total	<u>0</u>	<u>(8)</u>	<u>954</u>	<u>946</u>
Dividends paid, representing transaction with owners, recognised directly in equity	<u>0</u>	<u>0</u>	<u>(759)</u>	<u>(759)</u>
Balance at 30 September 2013	<u>75,945</u>	<u>486</u>	<u>(21,558)</u>	<u>54,873</u>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

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

The number of issued and fully paid up ordinary shares as at 30 September 2014 and 31 March 2014 was 75,945,399.

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

	THE COMPANY	
	30 Sep 2014	31 Mar 2014
Total number of issued shares excluding treasury shares	75,945,399	75,945,399

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

- 2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the Company's auditors.

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 March 2014.

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

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

	THE GROUP	
	30 Sep 2014	30 Sep 2013
(i) Based on weighted average number of ordinary shares in issue	2.79 cts	1.97 cts
(ii) On a fully diluted basis	2.79 cts	1.97 cts

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

	THE GROUP		THE COMPANY	
	30 Sep 2014	31 Mar 2014	30 Sep 2014	31 Mar 2014
Net asset value per ordinary share based on issued share capital of the Company at the end of financial year.	121 cts	119 cts	75 cts	74 cts

8 A review of the performance of the group

Group Income Statement

Group revenue for the current period declined by 15.8% from \$54.4 million in the previous period to \$45.8 million for the current period. This decrease was attributed mainly to a lower off-take for our main products (chlorine and caustic soda) by two major customers, as a result of a slow-down in their business activities, and a stop-work order issued by the Ministry of Manpower on a major customer from April to late June 2014, as a result of an industrial accident. Overall, chlorine and caustic soda off-take decreased by 23% and 17% respectively compared to the previous period.

On the back of a lower revenue base, the Group, however, was able to increase its gross profit by 5.1% or \$0.4 million from \$7.8 million in the previous period to \$8.2 million for the current period. Group gross profit margin also showed an improvement rising from 14.4% in the previous period to 17.9% for the current period. The factors contributing to the improved results were efforts by management to secure lower raw material prices, such as electricity rates and salt cost, and lower costs for our imported finished goods

Group other operating income for the current period was lower by 14% or \$37,000, as the previous period included insurance claims amounting to \$56,000, as against \$12,000 in the current period.

Group distribution and administrative expenses at \$5.1 million for the current period, was \$0.2 million lower than the previous period. The decrease was due mainly to lower remuneration expenses.

Other operating expenses relate to the Group's foreign exchange loss. For the current period a loss of \$0.05 million was incurred as against a foreign exchange loss of \$0.3 million in the previous period.

Fair value adjustments on the Group's forward exchange contracts for the current period amounted to a loss of \$0.5 million compared to a fair value adjustment of \$0.05 million loss in the previous period.

Group finance costs for the current period at \$0.4 million was 20% lower than the previous period. The lower finance costs were due to the overall lowering of the group's overdraft usage, term loans and trade financing activities.

As a result of the improved gross profit for the current period, pre-tax profit for the Group at \$2.3 million was 15% (or \$0.3 million) higher than the previous period.

Group Statement of Financial Position

The Group's net cash position, as at 30 September 2014, of \$22.0 million was higher by \$1.0 million compared to the net cash position as at 31 March 2014.

Group trade receivable as at 30 September 2014 was \$1.1 million (11%) higher than the balance as at 31 March 2014. The higher balance was due mainly to higher sales in the last quarter of the current period compared to the last quarter of the previous financial year and timing difference in the collection of our receivables.

Group other receivables and prepayments at \$1.5 million, as at 30 September 2014, was \$0.7 million or 87.5% higher than the balance as at 31 March 2014. This increase was due mainly to higher prepayment of insurance premiums.

Inventories as at 30 September 2014 were \$0.1 million or 1.8% higher than the balance as at 31 March 2014. This is in line with the Group's current policy of maintaining its inventory level at an acceptable level to meet current demand for its chemicals.

Property, plant and equipment were lower by \$4.3 million as at 30 September 2014 due mainly to depreciation for the current period.

Available-for-sale investments were higher by \$0.05 million as at 30 September 2014 as a result of an improved equities market.

The Group had no bank overdrafts as at 30 September 2014 (\$3.0 million as at 31 March 2014). This was the result of a decision by management to utilize its cash resources to reduce its debt position.

Short-term bank loans as at 30 September 2014 was higher by 5.2% or \$0.8 million when compared to 31 March 2014. This increase was attributed mainly to an increase in trade bills as at the end of the current period.

Trade payables as at 30 September 2014 was lower by \$1.0 million compared to the balance as at 31 March 2014. The lower balance was due mainly to timing differences in settlement of our trade payables.

Other payables and accrued expenses as at 30 September 2014 was marginally lower compared to the balance as at 31 March 2014.

Long-term loans, under both current and non-current liabilities, decreased by \$2.7 million as at 30 September 2014, due to a repayment during the current period.

The Group entered into foreign exchange contracts to sell United States dollars for Singapore dollars in the current period. Derivative financial instruments of \$0.6 million as at 30 September 2014 represent the fair value loss sustained by the Group on these forward foreign exchange contracts.

The Group had a net cash inflow of \$1.0 million for the current period compared to a net cash inflow of \$4.2 million in the previous corresponding period.

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

Not applicable.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

As we move into the second half of FY 2015, the United States and China's economies are not showing signs of significant improvements. Our major customers are dependent on growth in these economies to increase their production and hence demand for our chemicals. To meet these challenging times, the Group continues to seek new customers/markets to optimize its production capacity and increase the efficiency of its manufacturing processes. Further attention will also be paid to reducing costs so as to improve or maintain our profitability.

The Group's property business, which continues to contribute to our bottom line, is not anticipated to have a significant impact on the Group's results for the second half of FY 2015.

11 Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on? No

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable.

(d) Book closure date

Not applicable.

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

Not applicable.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920 (1) (a) (ii). If no IPT mandate has been obtained, a statement to that effect.

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

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

On behalf of the Board of Directors of the Company, we hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the half year ended 30 September 2014 to be false or misleading.

LIM SOO PENG
Chairman

TAY KAH CHYE
Director

Singapore
31 October 2014