

Half-Year Financial Results Announcement for the Period Ended 30 June 2016

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS

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.

	6 months ended 30-06-16 S\$'000	6 months ended 30-06-15 S\$'000	Change %	Note
Revenue	38,256	39,045	-2%	#
Cost of sales	(31,046)	(31,960)	-3%	a, #
Gross profit	7,210	7,085	2%	
Interest income	21	21	-	
Other gains	496	630	-21%	b, #
Distribution costs	(1,487)	(1,524)	-2%	#
Administrative expenses	(3,412)	(3,487)	-2%	a, #
Finance costs	(1)	(1)	-	
Other losses	-	(142)	-100%	c
Share of results of equity-accounted joint ventures	204	193	6%	
Profit before tax from continuing operations	3,031	2,775	9%	
Income tax expense	(331)	(192)	72%	
Profit net of tax	2,700	2,583	5%	
Other comprehensive income				
Exchange differences on translation from functional currency to presentation currency	(1,674)	521	N.M.*	d
Share of other comprehensive income/(loss) from equity-accounted joint ventures, net of tax	130	(20)	N.M.*	
Available-for-sale financial assets, net of tax	13	14	-7%	
Other comprehensive income for the period, net of tax	(1,531)	515		
Total comprehensive income for the period	1,169	3,098	-62%	
Profit attributable to owners of the company, net of tax	2,796	2,641	6%	
Loss attributable to non-controlling interests, net of tax	(96)	(58)	66%	
Profit net of tax	2,700	2,583	5%	
Total comprehensive income attributable to owners of the company	1,265	3,156	-60%	
Total comprehensive loss attributable to non-controlling interests, net of tax	(96)	(58)	66%	
Total comprehensive income for the period	1,169	3,098	-62%	

Note:

*N.M. : Not meaningful.

: Reclassification has been made to the comparative statement to conform with current period's presentation.

Notes to Statement of Comprehensive Income

	6 months ended 30-06-16 S\$'000	6 months ended 30-06-15 S\$'000
a. Depreciation		
The total depreciation expenses charged are as follows:		
Cost of sales	(178)	(146)
Administrative expenses	<u>(424)</u>	<u>(384)</u>
	<u><u>(602)</u></u>	<u><u>(530)</u></u>
b. Other gains		
Foreign exchange adjustments gains	216	-
Gain on disposal of plant and equipment	8	94
Gain on disposal of an associate	-	368
Government grant	116	83
Royalty income	41	-
Other Income	<u>115</u>	<u>85</u>
	<u><u>496</u></u>	<u><u>630</u></u>
c. Other losses		
Allowance for impairment on other receivables	-	(54)
Bad debts written off trade receivables	-	(3)
Foreign exchange adjustments losses	-	(83)
Other expenses	<u>-</u>	<u>(2)</u>
	<u><u>-</u></u>	<u><u>(142)</u></u>
d. Exchange differences		
Exchange differences arose mainly from the translation of financial statements of subsidiaries in the Group with US dollar functional currency to the presentation currency (i.e. Singapore dollar) at the exchange rate at the end of the financial period.		

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	
	30-06-16 S\$'000	31-12-15 S\$'000	30-06-16 S\$'000	31-12-15 S\$'000
<u>Non-current assets</u>				
Property, plant and equipment	4,074	4,259	1,169	1,355
Goodwill	409	409	-	-
Investments in subsidiaries	-	-	17,978	16,867
Investments in joint ventures	2,207	2,081	213	223
Deferred tax assets	34	35	-	-
Other assets	1,996	661	-	-
Other financial assets	819	848	819	848
Total non-current assets	9,539	8,293	20,179	19,293
<u>Current assets</u>				
Inventories	7,033	6,974	-	-
Trade and other receivables	10,714	15,881	7,724	6,748
Other assets	520	405	33	50
Cash and cash equivalents	32,868	31,215	6,495	11,810
Total current assets	51,135	54,475	14,252	18,608
Total assets	<u>60,674</u>	<u>62,768</u>	<u>34,431</u>	<u>37,901</u>
<u>Equity and liabilities</u>				
<u>Equity attributable to owners of the company</u>				
Share capital	6,606	6,606	6,606	6,606
Retained earnings	41,064	39,091	20,230	21,745
Other reserves	4,591	6,122	(830)	405
Equity attributable to owners of the company	52,261	51,819	26,006	28,756
Non-controlling interests	(17)	79	-	-
Total equity	52,244	51,898	26,006	28,756
<u>Non-current liabilities</u>				
Deferred tax liabilities	267	271	60	63
Finance leases	4	10	-	-
Total non-current liabilities	271	281	60	63
<u>Current liabilities</u>				
Income tax payable	606	397	3	6
Trade and other payables	7,541	10,180	8,362	9,076
Finance leases	12	12	-	-
Total current liabilities	8,159	10,589	8,365	9,082
Total liabilities	8,430	10,870	8,425	9,145
Total equity and liabilities	<u>60,674</u>	<u>62,768</u>	<u>34,431</u>	<u>37,901</u>

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

Amount repayable in one year or less, or on demand (S\$'000)

30-06-16		31-12-15	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
12	-	12	-

Amount repayable after one year (S\$'000)

30-06-16		31-12-15	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
4	-	10	-

Details of any collaterals

Secured borrowings as at 30 June 2016 and 31 December 2015 refer to obligations under finance leases that are secured by plant and equipment purchased under finance leases.

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

	6 months ended 30-06-16 S\$'000	6 months ended 30-06-15 S\$'000
<u>Cash flows from operating activities</u>		
Profit before tax	3,031	2,775
Adjustments for:		
Interest income	(21)	(21)
Interest expense	1	1
Insurance premium charged to profit or loss	4	6
Depreciation of property, plant and equipment	602	530
Share of results of equity-accounted joint ventures, net of tax	(204)	(193)
Gain on disposal of an associate	-	(368)
Gain on disposal of property, plant and equipment	(8)	(94)
Operating cash flows before changes in working capital	<u>3,405</u>	<u>2,636</u>
Inventories	(372)	(2,473)
Trade and other receivables	4,453	(3,446)
Other assets	(134)	(815)
Trade and other payables	<u>(2,181)</u>	<u>2,609</u>
Net cash flows from/(used in) operations activities	<u>5,171</u>	<u>(1,489)</u>
Income tax paid	<u>(122)</u>	<u>(411)</u>
Net cash flows from/(used in) operating activities	<u><u>5,049</u></u>	<u><u>(1,900)</u></u>
<u>Cash flows from investing activities</u>		
Disposal of property, plant and equipment	13	100
Purchase of property, plant and equipment	(509)	(1,057)
Acquisition of subsidiary (net of cash acquired)	-	1,545
Advance payment made for acquisition of property, plant and equipment	(1,365)	-
Disposal of associate	-	1,995
Dividend from joint-venture	139	-
Interest received	21	21
Net cash flows (used in)/from investing activities	<u>(1,701)</u>	<u>2,604</u>
<u>Cash flows from financing activities</u>		
Cash restricted in use	24	-
Dividends paid	(823)	(823)
Increase in borrowings	-	148
Repayment of finance leases	(6)	(5)
Interest paid	<u>(1)</u>	<u>(1)</u>
Net cash flows used in financing activities	<u>(806)</u>	<u>(681)</u>
Net increase in cash and cash equivalents	2,542	23
Cash and cash equivalents, statement of cash flow, beginning balance	30,661	31,303
Net effect of exchange rate changes on cash and cash equivalents	<u>(864)</u>	<u>249</u>
Cash and cash equivalents, statement of cash flow, ending balance	<u><u>32,339</u></u>	<u><u>31,575</u></u>
Cash and cash equivalents comprise:		
Not restricted in use	32,339	31,575
Cash pledged for bank facilities	<u>529</u>	<u>553</u>
Cash at end of the period	<u><u>32,868</u></u>	<u><u>32,128</u></u>

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.

	<u>Attributable to owners of the company</u>				Non-controlling interests	Total equity
	Share capital	Retained earnings	Other reserves	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group						
Current period:						
Opening balance at 1.1.16	6,606	39,091	6,122	51,819	79	51,898
Movements in equity:						
Total comprehensive income for the period	-	2,796	(1,531)	1,265	(96)	1,169
Dividends paid	-	(823)	-	(823)	-	(823)
Closing balance at 30.06.16	6,606	41,064	4,591	52,261	(17)	52,244
Previous period:						
Opening balance at 1.1.15	6,606	39,693	47	46,346	-	46,346
Movements in equity:						
Total comprehensive income for the period	-	2,641	515	3,156	(58)	3,098
Acquisition of subsidiary	-	-	-	-	550	550
Dividends paid	-	(823)	-	(823)	-	(823)
Closing balance at 30.06.15	6,606	41,511	562	48,679	492	49,171
	Share capital	Retained earnings	Other reserves	Total equity		
	S\$'000	S\$'000	S\$'000	S\$'000		
Company						
Current period:						
Opening balance at 1.1.16	6,606	21,745	405	28,756		
Movements in equity:						
Total comprehensive income for the period	-	(692)	(1,235)	(1,927)		
Dividends paid	-	(823)	-	(823)		
Closing balance at 30.06.16	6,606	20,230	(830)	26,006		
Previous period:						
Opening balance at 1.1.15	6,606	19,098	(1,343)	24,361		
Movements in equity:						
Total comprehensive income for the period	-	(28)	446	418		
Dividends paid	-	(823)	-	(823)		
Closing balance at 30.06.15	6,606	18,247	(897)	23,956		

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 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.

As at 30 Jun 2016, there was no movement in the company's share capital and no share options were issued.

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 total number of issued shares was 164,531,172 as at 30.06.2016 and 31.12.2015.

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.

Yes.

5. If there were 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 adoption of new and revised Financial Reporting Standards (FRSs) and Interpretations to FRSs (INT FRSs) effective for the current reporting period have no material impact on the financial statements of the Group.

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

	Group	
	30-06-16	30-06-15
	Singapore Cents	Singapore Cents
(i) Based on number of ordinary shares in issue of 164,531,172 (30.06.2015: 164,531,172 shares)	1.70	1.61
(ii) On a fully diluted basis of 164,531,172 ordinary shares (30.06.2015: 164,531,172 shares)	1.70	1.61

Note:

The total earnings per ordinary share was calculated based on the number of ordinary shares in issue of 164,531,172 as at 30.06.2016 and 30.06.2015.

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**

	30-06-16	31-12-15
	Singapore Cents	Singapore Cents
Net asset value per ordinary shares in issue of 164,531,172 (31.12.15 : 164,531,172)		
Group	31.76	31.50
Company	15.81	17.48

Note:

Net asset value per ordinary share was calculated based on the number of ordinary shares in issue of 164,531,172 as at 30.06.2016 and 31.12.2015.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on.

Statement of comprehensive income

- (i) Total revenue declined by 2% to S\$38 million due mainly to decrease in franchising volume during the period.
- (ii) The cost of sales reduced by 3% in line with the decreased franchising activities.
- (iii) Gross profit margin increased by 1% to 19% due mainly to better profit margin from franchising activities.
- (iv) The profit before tax and net profit after tax increased by 9% and 5% to S\$3.0 million and S\$2.7 million, respectively.
- (v) Exchange difference arose mainly from the translation of financial statements of subsidiaries in the Group with US dollar functional currency to the presentation currency (i.e. Singapore dollar) at the exchange rate at the end of the period. The income and expenses were translated at the average rate of exchange for the period.

Statement of Financial Position

- (i) Non-current portion of other assets increased by S\$1.34 million due mainly to consideration paid in advance for acquisition of two office properties in Shanghai by a subsidiary.
- (ii) Trade and other receivables decreased by S\$5.2 million due mainly to higher sales toward the end of the year in FY2015.
- (iii) Current portion of other assets increased by S\$0.12 million due mainly to payment paid in advance for raw material purchases in 2Q 2016.
- (iv) Trade and other payables reduced by S\$2.6 million due mainly to higher purchases toward the end of the year in FY2015.

Statement of Cash Flow

Operational cash flow improved to S\$5.0 million. This was largely due to decrease in trade receivables from lower sales toward the end of 1H 2016 as compared to 2H 2015.

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

There is no significant variance between the previous disclosures and the actual results.

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.

- (i) The plummet of crude oil prices has aggravated the already murky global economy and the overall business environment is expected to be challenging in 2016.
- (ii) The first 7 months of FY2016 has seen great volatility in crude oil prices which presents challenging conditions in managing our raw material costs.
- (iii) With timely measures and strategies in place to tackle the new challenges brought about by the economic slowdown, barring any unforeseen circumstances, we believe that the Group performance shall remain resilient.

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) Books closure date

Not applicable.

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

No interim dividend has been proposed.

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 does not have a general mandate from shareholders for interested person transactions.

14. Confirmation of undertakings from directors and executive officers.

The company has procured undertaking from all its directors and executive officers under Rule 720(1) of the listing manual.

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable.

16. In the review of performance, the factors leading to any material changes in contribution to turnover and earnings by the business or geographical segments

Total revenue declined by 2% to S\$38 million due mainly to decrease in franchising volume during the period.

17. A breakdown of sales and profit

Not applicable.

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

19. Confirmation of the Board pursuant to Rule 705(5) of the listing manual.

On behalf of the Board of Directors, I hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial results to be false or misleading, in any material aspect.

BY ORDER OF THE BOARD

Ho Chee Hon
Group CEO
8 August 2016