



ALLIED TECHNOLOGIES LIMITED

Financial Statement for the period ended 31 March 2014

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.

	YTD-1Q 2014 S\$'000	GROUP YTD-1Q FY13 S\$'000	+ / (-) %
Revenue	22,582	25,315	(11%)
Other income	2,014	327	515%
Total revenue	24,596	25,642	(4%)
Change in inventories of finished goods and work-in-progress	(1,287)	(360)	257%
Raw materials and consumables used	(12,557)	(15,120)	(17%)
Depreciation expenses	(846)	(862)	(2%)
Amortisation expenses	(4)	(5)	(21%)
Staff costs	(5,514)	(6,322)	(13%)
Other operating expenses	(4,342)	(4,627)	(6%)
Total operating expense	(24,550)	(27,296)	(10%)
Profit/(Loss) from operating activities	46	(1,653)	n.m
Financial cost	(60)	(190)	(68%)
Loss before income tax	(14)	(1,843)	(99%)
Income tax			
- current year	0	(21)	(100%)
- prior year	0	0	n.m
	0	(21)	(100%)
Loss after income tax	(14)	(1,864)	(99%)
Attributable to:			
Equity holders of the company	(14)	(1,864)	(99%)
Loss after income tax	(14)	(1,864)	(99%)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Translation differences relating to financial statement of foreign subsidiaries	(1,469)	863	n.m
Total comprehensive income for the period	(1,483)	(1,000)	48%
Total comprehensive income attributable to : Owners of the Company	(1,483)	(1,000)	48%

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 (crediting)/charging the followings:

	GROUP	
	1Q FY14	1Q FY13
	S\$'000	S\$'000
(a) Raw materials and consumables used:		
Write-back of allowance for inventory obsolescence	(310)	(102)
(b) Other income:		
Interest income	(60)	(8)
Gain on disposal of property, plant and equipment	(14)	(2)
Compensation income	(1,858)	-
Rental income	(173)	(266)
(c) Operating loss is stated after charging/(crediting):		
Allowance/(write-back) for impairment on trade debtors	2	(99)
Foreign exchange losses	375	55

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	
	31/3/14	31/12/13	31/3/14	31/12/13
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Intangible assets	191	196	50	53
Property, plant and equipment	42,190	43,882	190	227
Investment property	4,773	4,896	-	-
Investment in subsidiary companies	-	-	34,876	34,876
Loan receivables from subsidiary companies	-	-	15,100	14,200
Deferred tax assets	5,761	5,947	-	-
Other investments	2,205	2,205	2,081	2,081
	55,120	57,126	52,297	51,437
Current assets				
Inventories, net	11,872	12,927	956	957
Amounts due from subsidiary companies	-	-	10,002	11,039
Trade debtors	26,425	28,797	3,402	2,516
Other debtors	983	2,983	14	66
Prepayments and advances to suppliers	2,733	1,237	186	51
Dividend receivable	-	-	127	127
Fixed deposits (pledged)	234	235	-	-
Cash at bank and in hand	18,768	20,091	3,309	3,954
	61,015	66,270	17,996	18,710
Current liabilities				
Amounts due to subsidiary companies	-	-	210	-
Trade creditors	23,332	25,667	2,289	1,678
Hire purchase creditors	-	10	-	10
Other creditors and accruals	5,252	5,696	1,008	1,131
Deferred compensation income	544	1,808	-	-
Amounts due to bankers	3,714	4,424	1,889	1,901
Provision for taxation	38	39	-	-
	32,880	37,644	5,396	4,720
Net current assets	28,135	28,626	12,600	13,990
Non-current liabilities				
Deferred compensation income	8,977	9,884	-	-
Deferred tax liabilities	3,675	3,783	-	-
	12,652	13,667	-	-
TOTAL NET ASSETS	70,603	72,085	64,897	65,427
Equity attributable to Equity holders of the Company				
Share capital	57,337	57,337	57,337	57,337
Capital reserve	4,890	4,890	-	-
Other reserve	189	189	189	190
Revenue reserve	9,714	9,727	7,371	7,900
Exchange translation reserve	(1,527)	(58)	-	-
TOTAL EQUITY	70,603	72,085	64,897	65,427

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

Amount repayable in one year or less, or on demand

As at 31 March 2014		As at 31 December 2013	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
3,714	-	4,434	-

Amount repayable after one year

As at 31 March 2014		As at 31 December 2013	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	-	-	-

Details of any collateral

The Group's borrowings comprise of hire purchase creditors and amounts due to bankers.

The hire purchase creditors relate to fixed asset items of Allied Technologies Limited (the "**Company**"), which are financed under hire purchase.

The amounts due to bankers are secured and unsecured 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 the assets of the Company; and
- (2) leasehold land and properties of respective subsidiary companies.

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.

	3 months ended	
	1Q FY14	1Q FY13
	S\$'000	S\$'000
Cash flows from operating activities		
Loss before tax	(14)	(1,843)
Adjustments for:		
Gain on disposal of property, plant and equipment	(14)	(2)
Depreciation of property, plant and equipment	846	840
Amortisation of intangible assets	5	5
Amortisation of compensation income	(1,858)	-
Interest income	(59)	(8)
Interest expense	60	190
Exchange differences	(851)	152
Operating loss before working capital changes	(1,885)	(666)
Decrease in inventories	1,055	2,156
Decrease in trade debtors and other debtors	868	1,715
Decrease in trade creditors and other creditors	(2,779)	(1,222)
Cash (used in)/generated from operations	(2,741)	1,983
Interest paid	(60)	(190)
Interest received	59	8
Income tax paid	-	(55)
Net cash (used in)/generated from operating activities	(2,742)	1,746
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	14	2
Government grant received pursuant to Suzhou's compulsory land acquisition	2,011	-
Purchase of property, plant and equipment	(261)	(107)
Net cash generated from/(used) in investing activities	1,764	(105)
Cash flows from financing activities		
Issuance of ordinary shares	-	1
Repayment of hire purchase creditors	(10)	(29)
Drawdown of bank borrowings	1,889	(1,541)
Repayment of bank borrowings	(2,539)	-
Net decrease/(increase) in fixed deposit	1	(3)
Net cash used in financing activities	(659)	(1,572)
Net (decrease)/increase in cash and cash equivalents	(1,637)	69
Cash and cash equivalents at beginning of period	20,091	9,081
Effects of exchange rates on opening cash and cash equivalents	314	(87)
Cash and cash equivalents at end of period	18,768	9,063

- 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 31 March

	Ordinary shares S\$'000	Exchange translation reserve S\$'000	Statutory reserve fund S\$'000	Other reserve S\$'000	Revenue reserve S\$'000	Total shareholders' equity S\$'000
Group						
Balance as at 1 January 2014	57,337	(57)	4,889	189	9,727	72,085
Total comprehensive income for the period	-	(1,469)	-	-	(14)	(1,483)
Balance as at 31 March 2014	57,337	(1,526)	4,889	189	9,713	70,602
Balance as at 1 January 2013	54,322	(3,636)	4,889	805	(1,251)	55,129
Total comprehensive income for the period	-	862	-	-	(1,864)	(1,002)
Warrants conversion	1	-	-	-	-	1
Balance as at 31 March 2013	54,323	(2,774)	4,889	805	(3,115)	54,128
	Ordinary shares S\$'000		Other reserve S\$'000		Revenue reserve S\$'000	Total shareholders' equity S\$'000
Company						
Balance as at 1 January 2014	57,337		189		7,901	65,427
Total comprehensive income for the period	-		-		(530)	(530)
Balance as at 31 March 2014	57,337		189		7,371	64,897
Balance as at 1 January 2013	54,322		805		3,025	58,152
Total comprehensive income for the period	-		-		(46)	(46)
Warrants conversion	1		-		-	1
Balance as at 31 March 2013	54,323		805		2,979	58,107

- 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.**

As at 31 March 2014, there are 1,644,000 (31 December 2013: 1,644,000) unissued shares under the Company's Employee Share Option Scheme.

- 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.**

	31 March 2014	31 December 2013
Total number of issued shares ('000) (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 new and revised Financial Reporting Standards, which came into effect this financial year, 1 January 2014, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as those applied in the audited financial statements for the financial year ended 31 December 2013. 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 Loss 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.

Loss Per Share

The Group	3 months ended	
	<u>1Q FY14</u> Basic / Diluted *	<u>1Q FY13</u> Basic / Diluted *
<u>Loss (\$'000)</u>		
Loss attributable to equity holders of the Company	(14)	(1,864)
Loss per share (cents)		
- Basic and diluted	(0.002)	(0.31)

note: employees' share option is 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	
	31-Mar-14	31-Dec-13	31-Mar-14	31-Dec-13
Net asset value per ordinary share based on issued share capital at end of the period (in cents)	10.46	10.68	9.61	9.69
Net asset value as at end of period (\$'000)	70,603	72,085	64,897	65,427
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 recorded revenue of S\$22.6 million for 1Q FY2014 represents a decrease of 11% as compared with 1Q FY2013. This decrease in revenue was attributed to the decreased revenue of the Company's subsidiaries located in Suzhou and Dongguan. This decrease was, however, partially offset by the increase in revenue of the Company and its subsidiaries located in Shanghai, Vietnam and Malaysia.

The Group's Suzhou and Dongguan subsidiaries recorded lower revenue for the period under review as compared to the previous corresponding period due to the effects of the relocation of the Suzhou plant and declining sales orders from existing customers due to certain product models reaching its end-of-life and delays in the production of new projects.

Riding on the benefits of an emerging market, sales of the Vietnam subsidiary saw a significant improvement of over 61.9% as compared to its previous corresponding period. This was mainly due to the copier assembly project awarded by an existing customer.

Sales of the Company and its Malaysia subsidiary also improved significantly for the period under review. This was mainly due to increased sales orders from existing and new customers.

Other income of the Group comprises mainly rental income, interest income, compensation income and gains on disposal of property, plant and equipment. The Group recorded significant gains of S\$1.9 million from the compulsory land acquisition of its Suzhou subsidiary's property by the Suzhou local government.

b. Operating results

Overall

The Group booked in a loss of approximately S\$0.01 million in 1Q FY2014. Generally, the Group's loss was mainly due to the increase in the production costs amid a high inflationary business environment and rigorous pricing pressures from customers.

During the period under review, while the Group's Shanghai subsidiary recorded higher revenue, it incurred operating losses due to the increase in production and subcontracting costs.

Despite the Suzhou subsidiary recording lower sales in respect of the Group's revenue as a result of its relocation plan, it registered profit in 1Q FY2014 due to recognition of compensation income for production suspension arising from the compulsory land acquisition of its property by the Suzhou local government.

The Group's Dongguan subsidiary recorded lower revenue and registered losses for 1Q FY2014 due to a drop in sales orders from one of its main customers.

The Group's Vietnam subsidiary continues to generate higher sales revenue and registered operating profit in 1Q FY2014 due to the high value-added assembly copier project awarded by one of its existing main customer.

Revenue for the Company and its Malaysia subsidiary increased due to the increase in sales orders from its existing customers and new customers. However, the effects of the increase in sales were not sufficient to maintain the positive bottom line. Hence, both entities recorded losses for 1Q FY2014.

Raw materials and consumables used

Consistent with lower sales, raw materials and consumables used by the Group dropped by 17% to S\$12.6 million in 1Q FY2014.

Staff costs

Compared with 1Q FY2013, staff costs decreased by 13% in 1Q FY2014. This was due to the decrease in headcounts at all entities of the Group, in line with stringent cost-cutting measures in light of lower sales volume during the period under review.

The total headcount of the Group stood at 2,166 as at 31 March 2014.

Depreciation and amortisation expenses

In 1Q FY2014, depreciation and amortisation expenses decreased by 2% to S\$0.8 million as compared with 1Q FY2013. This was mainly due some of the Group's assets having been fully depreciated during the period under review.

Other operating expenses

Other operating expenses include other costs of goods and sold items such as packaging costs, carriage inwards, utilities and administrative expenses.

For the period under review, other operating expenses decreased by 6%. Such decrease is consistent with lower sales.

Finance costs

In 1Q FY2014, the Group decreased its bank borrowings to S\$3.7 million. During the period under review, finance costs also decreased by 68% to S\$60,000.

c. Balance Sheet and Cash Flow Statements

The decrease in the value of property, plant and equipment was mainly due to depreciation during the period under review. The weaker Renminbi (“**RMB**”), as compared with that of last December 2013, resulted in lower translated values of the fixed assets of the Company’s subsidiaries in the People’s Republic of China (the “**PRC**”). Hence, this further reduced the assets’ values.

During the period under review, trade debtors and inventories was reduced to S\$26.4 million and S\$11.9 million respectively as a result of lower sales. However, prepayments increased by S\$1.5 million to S\$2.7 million. This was mainly due to advance payments to developers for the expansion of the factory and the renovation that is currently in progress. The increase in deposits with banks was mainly due to the receipt of funds from the Suzhou local government pertaining to the compulsory land acquisition from Allied Suzhou.

Trade debts owing by the Group decreased by S\$2.3 million which is consistent with lower purchases as a result of lower sales. The Group has repaid some of its bank borrowings which resulted in a decrease of S\$0.7 million of amounts due to its bankers.

The weaker RMB resulted in lower translated values of deferred tax liabilities of S\$3.7 million and deferred tax assets of S\$5.8 million contributed by subsidiaries in the PRC as at 31 March 2014.

The Group recorded an operating cash deficit of S\$2.7 million for 1Q FY2014. This was mainly due to the negative cash inflow from working capital. During the year, Allied Suzhou received funds from the Suzhou local government amounting to approximately S\$2 million pursuant to the compulsory land acquisition. The Group also repaid some of its bank borrowings which caused a decrease to S\$0.7 million in outstanding borrowings payable. Overall, cash and bank balances decreased from S\$20.1 million as at 31 December 2013 to S\$18.8 million as at 31 March 2014.

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 Group will focus on securing high value-added projects to improve its utilisation of capacity and productivity.

The Management cautions that the increasing production costs across the region, stiff pricing competition and foreign currency movements would remain highly challenging for the Group 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 2013 has been declared or recommended.

13 Interested Person Transactions.

The Group has not obtained a general mandate from shareholders for interested person transactions. There were no interested person transactions with an amount exceeding S\$100,000 during 1Q 2014.

14. 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 first quarter ended 31 March 2014 to be false or misleading in any material aspect.

ON BEHALF OF THE BOARD

Hsu Ching Yuh
Group Managing Director and
Chief Executive Officer

Soh Weng Kheong
Executive Director and Group Deputy Managing
Director

8 May 2014