

CHEMICAL INDUSTRIES (FAR EAST) LIMITED

(Company Registration No. : 196200046K)

UNAUDITED RESULTS FOR FULL YEAR ENDED 31 MARCH 2014

1(a)(i) [A statement of profit or loss and other comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year](#)

Consolidated Statement of Profit or Loss

	THE GROUP	
	31 Mar 2014 S\$'000	31 Mar 2013 S\$'000
Revenue	100,162	111,841
Cost of sales	(84,522)	(102,515)
Gross Profit	15,640	9,326
Other operating income	407	274
Distribution expenses	(3,214)	(3,551)
Administrative expenses	(6,923)	(6,103)
Gain from fair value adjustments on investment properties	6,000	2,900
Loss from fair value adjustments on forward foreign exchange contract	(28)	(252)
Finance costs	(883)	(1,192)
Profit before tax	10,999	1,402
Income tax (expense) credit	(654)	262
Profit for the year attributable to owners of the company	10,345	1,664

Consolidated Statement of Profit or Loss And Other Comprehensive Income

	THE GROUP	
	31 Mar 2014 S\$'000	31 Mar 2013 S\$'000
Profit for the year	10,345	1,664
Other comprehensive income (net of tax): Items that may be reclassified subsequently to profit or loss		
Available-for-sale investments	3	96
Exchange differences on translation of foreign operations	(22)	(13)
Total comprehensive income for the year attributable to owners of the company	10,326	1,773

1(a)(ii) [Notes to statement of profit or loss for the group](#)

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

	THE GROUP	
	31 Mar 2014	31 Mar 2013
	S\$'000	S\$'000
Dividend income	20	19
Gain on disposal of plant and equipment	5	20
Insurance claim	227	0
Other income including interest income	614	439
	<hr/>	<hr/>
Depreciation	(9,553)	(8,969)
Interest on borrowings	(883)	(1,192)
Net foreign exchange loss	(459)	(204)
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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	
	31 Mar 2014 S\$'000	31 Mar 2013 S\$'000	31 Mar 2014 S\$'000	31 Mar 2013 S\$'000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	23,899	15,069	19,518	9,896
Trade receivables	10,394	11,160	10,370	11,160
Other receivables and prepayments	843	694	763	615
Due from subsidiaries	0	0	3,152	5,158
Inventories	5,530	7,392	5,611	5,954
Total Current Assets	<u>40,666</u>	<u>34,315</u>	<u>39,414</u>	<u>32,783</u>
NON-CURRENT ASSETS				
Property, plant and equipment	67,811	76,728	67,081	75,836
Investment properties	38,400	32,400	0	0
Subsidiaries	0	0	6,383	6,383
Available-for-sale investments	626	623	626	623
Total Non-Current Assets	<u>106,837</u>	<u>109,751</u>	<u>74,090</u>	<u>82,842</u>
TOTAL ASSETS	<u>147,503</u>	<u>144,066</u>	<u>113,504</u>	<u>115,625</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Bank overdrafts	3,017	1,171	3,017	1,171
Short-term bank loans	15,547	16,771	15,547	16,771
Trade payables	3,160	4,328	2,696	3,198
Other payables and accrued expenses	4,654	5,490	4,619	5,363
Due to subsidiaries	0	0	1,612	26
Current portion of long-term bank loans	5,425	5,425	5,425	5,425
Current portion of finance leases	154	156	47	44
Derivative financial instruments	28	0	28	0
Income tax payable	593	347	0	40
Total Current Liabilities	<u>32,578</u>	<u>33,688</u>	<u>32,991</u>	<u>32,038</u>
NON-CURRENT LIABILITIES				
Long-term bank loans	15,377	20,803	15,377	20,803
Finance leases	319	472	40	89
Deferred tax liabilities	8,592	8,033	8,581	8,009
Total Non-Current Liabilities	<u>24,288</u>	<u>29,308</u>	<u>23,998</u>	<u>28,901</u>
CAPITAL AND RESERVES				
Share capital	75,945	75,945	75,945	75,945
Reserves	2,360	2,379	497	494
Accumulated profit (losses)	12,332	2,746	(19,927)	(21,753)
Total Equity	<u>90,637</u>	<u>81,070</u>	<u>56,515</u>	<u>54,686</u>
TOTAL LIABILITIES AND EQUITY	<u>147,503</u>	<u>144,066</u>	<u>113,504</u>	<u>115,625</u>

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.

	31 Mar 2014 S\$'000	31 Mar 2013 S\$'000
Amount repayable within one year		
Secured	24,143	23,523
Unsecured	0	0
	<u>24,143</u>	<u>23,523</u>
Amount repayable after one year		
Secured	15,696	21,275
Unsecured	0	0
	<u>15,696</u>	<u>21,275</u>
Total	<u>39,839</u>	<u>44,798</u>

Details of Collaterals

Details of bank loans and bank overdrafts are as follows:

(a) Bank loans of \$20,802,000 (2013: \$26,228,000) and bank overdrafts of \$3,017,000 (2013: \$1,171,000) 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% above swap rate per annum and bank overdrafts bear interest at 4.25% per annum.

(b) Finance leases amounting to \$473,000 (2013: \$628,000) are secured by plant and equipment under these finance lease arrangements.

(c) Short-term bank loans amounting to \$15,547,000 (2013: \$16,771,000) are secured on the same terms as 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	
	31 Mar 2014 S\$'000	31 Mar 2013 S\$'000
Operating activities:		
Profit before tax	10,999	1,402
Adjustments for:		
Amortisation of front end fee	74	75
Depreciation of property, plant and equipment	9,553	8,969
Gain from fair value adjustments on investment properties	(6,000)	(2,900)
Write-off of inventories	835	0
Loss from fair value adjustments on derivative financial instruments	28	252
Foreign exchange differences	459	204
Dividend income	(20)	(19)
Gain on disposal of property, plant and equipment	(5)	(20)
Interest expense	883	1,192
Interest income	(5)	(5)
Operating cash flows before movements in working capital	16,801	9,150
Trade receivables	822	2,679
Other receivables and prepayments	(149)	(15)
Inventories	1,027	1,174
Trade payables	(1,147)	1,703
Other payables and accrued expenses	(836)	(1,744)
Cash generated from operations	16,518	12,947
Dividends paid	(759)	(759)
Income tax refunded (paid)	130	(814)
Interest paid	(883)	(1,192)
Interest received	5	5
Dividends received	20	19
Net cash from operating activities	15,031	10,206
Investing activities		
Proceeds on disposal of property, plant and equipment	5	285
Purchase of property, plant and equipment (Note B)	(2,134)	(12,000)
Proceeds from government grant	1,498	0
Net cash used in investing activities	(631)	(11,715)
Financing activities		
(Repayment of) Proceeds from short-term bank loans	(1,363)	3,686
Repayment of long-term bank loans	(5,500)	(3,500)
Repayment of obligations under finance leases	(155)	(345)
Net cash used in financing activities	(7,018)	(159)
Net increase (decrease) in cash and cash equivalents	7,382	(1,668)
Cash and cash equivalents at the beginning of the year	13,898	15,628
Effect of exchange rate changes on the balances of cash held in foreign currencies	(398)	(62)
Cash and cash equivalents at end of the year (Note A)	20,882	13,898

Note A

Cash and cash equivalents consist of:

	THE GROUP	
	31 Mar 2014	31 Mar 2013
	S\$'000	S\$'000
Cash and cash equivalents	23,899	15,069
Bank overdrafts	(3,017)	(1,171)
	<u>20,882</u>	<u>13,898</u>

Note B

In 2013, the group acquired property, plant and equipment with an aggregate cost of \$12,489,000 of which \$489,000 was acquired by means of finance leases.

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 2012	75,945	1,872	398	2,270	1,841	80,056
<u>Total comprehensive income for the year</u>						
Profit for the year	0	0	0	0	1,664	1,664
Other comprehensive income	0	13	96	109	0	109
Total	<u>0</u>	<u>13</u>	<u>96</u>	<u>109</u>	<u>1,664</u>	<u>1,773</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 31 March 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	10,345	10,345
Other comprehensive income	0	(22)	3	(19)	0	(19)
Total	<u>0</u>	<u>(22)</u>	<u>3</u>	<u>(19)</u>	<u>10,345</u>	<u>10,326</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 31 March 2014	<u>75,945</u>	<u>1,863</u>	<u>497</u>	<u>2,360</u>	<u>12,332</u>	<u>90,637</u>

	Share capital	Investment revaluation reserve	Accumulated losses	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<u>COMPANY</u>				
Balance at 1 April 2012	75,945	398	(22,670)	53,673
<u>Total comprehensive income for the year</u>				
Profit for the year	0	0	1,676	1,676
Other comprehensive income	0	96	0	96
Total	<u>0</u>	<u>96</u>	<u>1,676</u>	<u>1,772</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 31 March 2013	75,945	494	(21,753)	54,686
<u>Total comprehensive income for the year</u>				
Profit for the year	0	0	2,585	2,585
Other comprehensive income	0	3	0	3
Total	<u>0</u>	<u>3</u>	<u>2,585</u>	<u>2,588</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 31 March 2014	<u>75,945</u>	<u>497</u>	<u>(19,927)</u>	<u>56,515</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 31 March 2014 and 31 March 2013 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	
	31 March 2014	31 Mar 2013
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.

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with those of the audited financial statements for the year ended 31 March 2013.

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

On 1 April 2013, the Group has adopted all the new and revised FRSs and Interpretations of FRS (INT FRSs) that are effective from that date and relevant to its operations that includes the following.

FRS 1 *Presentation of Items of Other Comprehensive Income*
FRS 113 *Fair Value Measurements*

The adoption of these new/revised FRSs and INT FRSs does not have any effect on the financial performance or position of the Group.

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	
	31 March 2014	31 March 2013
(i) Based on weighted average number of ordinary shares in issue	13.62 cts	2.19 cts
(ii) On a fully diluted basis	13.62 cts	2.19 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	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
Net asset value per ordinary share based on issued share capital of the Company at the end of financial year.	119 cts	107 cts	74 cts	72 cts

8 A review of the performance of the group

Group Profit or Loss Statement

The Group saw revenue for FY2014 decreased by 10.4% from \$111.8 million in FY2013 to \$100.2 million. This decrease was attributed mainly to reduced off-take by a major customer, whose production was impacted by a slow-down in world demand for its products.

Group gross profit for FY2014, however, was much higher at \$15.6 million, compared to \$9.3 million for FY2013, with Group gross margin improving from 8.3% in FY2013 to 15.6% for FY2014. The contributing factors to this improved gross profit/margin were savings achieved from lower costs of key raw materials used in the production of our chemicals and lower costs of imported chemicals for sales.

Group other operating income for FY2014, at \$0.4 million, was 48.5% higher than FY2013 due mainly to insurance claims received during FY2014.

Distribution and administrative expenses for the group at \$10.1 million for FY2014 was 5.0% higher than FY2013, due mainly to higher remuneration expenses.

A fair value gain of \$6.0 million (FY2013: \$2.9 million) was recorded as a result of measuring the fair value of the Group's investment property in accordance with FRS 113 Fair Value Measurement as required under FRS 40 Investment Property.

A fair value loss of \$28,000 was recorded in FY2014 on the group's forward foreign exchange contracts as against a fair value loss of \$252,000 in FY2013.

Group finance costs for FY2014 saw a decrease of \$0.3 million, falling from \$1.2 million in FY2013 to \$0.9 million in FY2014. This decrease was due mainly to a net decrease in interest incurred for trade financing, and lower interest on the reduced group term loan.

As a result of the improved gross profit and fair value gain on the group's investment properties of S\$6 million, group net profit before tax for FY2014 saw a significant increase from \$1.4 million in FY2013 to \$11.0 million for FY2014, a \$9.6 million or 686% increase.

Group net profit after tax for FY2014 came in at \$10.4 million compared to \$1.7 million for FY2013.

Group Statement of Financial Position

The Group's net cash position as at 31 March 2014 saw an increase of \$7.0 million compared to the balance as at 31 March 2013. This increase was the result of an improved cash flow generated from the operations of the group, as illustrated under the cash flow statement in paragraph 1(c) of this announcement.

Group trade receivables at \$10.4 million as at 31 March 2014 was lower by \$0.8 million compared to the balance as at 31 March 2013. This decrease was attributed to the lower revenue recorded in the last month of FY 2014.

Group other receivables and prepayments at \$0.8 million as at 31 March 2014 were 21% higher than the previous financial year due mainly to higher insurance prepayments and other debtors

Inventories for the Group as at 31 March 2014 was lower than the balance as at the previous financial year by \$1.9 million. This was the result of improved inventory management, in line with demands from major customers.

Property, plant and equipment were lower by \$8.9 million as at 31 March 2014 due mainly to depreciation and the decision by management to reduce the useful life of an electrolyser, installed in 2003, which may not be feasible to upgrade in view of its age and cost of upgrading.

Investment properties as at 31 March 2014 increased by \$6.0 million, as a result of a fair value adjustments in accordance with FRS 40 Investment Property and FRS 113 Fair Value Measurement.

Short-term bank loans of the Group as at 31 March 2014 decreased by \$1.3 million in line with reduced trade financing activities.

Group trade payables as at 31 March 2014 were lower by \$1.1 million compared to the balance as at 31 March 2013. This was attributed to lower purchases made by the group.

Other payables and accrued expenses of the Group as at 31 March 2014 were lower by \$0.8 million due mainly to lower accrual for utilities.

Derivative financial instruments of \$28,000 as at 31 March 2014 relates to the fair value loss on the group's outstanding forward foreign exchange contracts employed to manage its exposure to foreign exchange risk arising from the United States dollar.

The Group's long-term bank loans as at 31 March 2014 stood at \$15.4 million, as against a balance of \$20.8 million as at 31 March 2013, after repayments made during FY2014.

The Group had a net cash inflow of \$7.4 million in FY2014 compared to a net cash outflow of \$1.7 million in FY2013.

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

Despite the lower demand from one major customer, the outlook remains cautiously positive as the United States economy is showing signs of a good recovery, and Singapore may see the benefit of this in the later part of FY 2015.

The group will be on the lookout for opportunities to benefit from any global developments and will continue to seek out new customers to maximise the production potential of the group's manufacturing capabilities.

On the property front, revenue from the two properties at Upper Circular Road and Carpenter Street has been optimized at the current rental rates and we do not anticipate any significant changes in rentals in FY2015.

11 Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on? Yes

The directors propose a first and final dividend of 1.5 cent per ordinary share totaling \$1,139,000 for the financial year ended 31 March 2014.

The first and final dividend is subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company.

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

A first and final dividend of 1.0 cent per ordinary share totaling \$759,000 for the financial year ended 31 March 2013 was declared on 18 June 2013 and paid on 10 July 2013.

(c) Date payable

To be advised at a later date.

(d) Book closure date

To be advised at a later date.

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.

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 preceding year

Segment revenues and results

	<u>Revenue</u>		<u>Profit</u>	
	<u>2014</u> \$'000	<u>2013</u> \$'000	<u>2014</u> \$'000	<u>2013</u> \$'000
Industrial Chemicals	98,810	110,507	4,907	(1,174)
Properties	<u>1,352</u>	<u>1,334</u>	<u>6,950</u>	<u>3,744</u>
Total	<u>100,162</u>	<u>111,841</u>	11,857	2,570
Interest income			5	5
Dividend income			20	19
Finance costs			<u>(883)</u>	<u>(1,192)</u>
Profit before income tax			10,999	1,402
Income tax			<u>(654)</u>	<u>262</u>
Consolidated revenue and profit for the year	<u>100,162</u>	<u>111,841</u>	<u>10,345</u>	<u>1,664</u>

Segment assets

	<u>2014</u> \$'000	<u>2013</u> \$'000
Industrial Chemicals	104,103	105,778
Properties	<u>42,774</u>	<u>37,665</u>
Total segment assets	146,877	143,443
Unallocated assets	<u>626</u>	<u>623</u>
Consolidated total assets	<u>147,503</u>	<u>144,066</u>

All assets are allocated to reportable segments other than available-for-sale investments.

Other segment information

	<u>Capital expenditure</u>		<u>Depreciation</u>	
	<u>2014</u> \$'000	<u>2013</u> \$'000	<u>2014</u> \$'000	<u>2013</u> \$'000
Industrial Chemicals	2,134	12,326	9,485	8,870
Properties	<u>-</u>	<u>163</u>	<u>68</u>	<u>99</u>
	<u>2,134</u>	<u>12,489</u>	<u>9,553</u>	<u>8,969</u>

Geographical information

The group's assets and operations are located primarily in Singapore.

Information about Major customers

Revenue of \$63,031,000 (2013: \$76,078,000) are derived from 2 major customers from the Industrial Chemicals segment.

15 [In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments](#)

Business & Geographical Segment

Revenue from the Industrial Chemicals segment in FY2014 decreased by 10.6% from \$110.5 million to \$98.8 million. This decrease was due mainly to a reduced off-take by a major customer, whose production was impacted by a slow-down in world demand for its products.

Revenue from the Property segment at \$1.3 million, for FY2014, was similar to that for FY2013.

The group saw net profit before tax of \$11.0 million, for FY2014, increase significantly over FY2013 (an increase of \$9.6 million or 686%). This increase was attributed mainly to an improved gross profit margin and fair value adjustment gains on the group's investment properties.

16 [A breakdown of sales as follows:-](#)

	31 Mar 2014	THE GROUP 31 Mar 2013	% increase (decrease)
	S\$'000	S\$'000	
(a) Sales reported for first half year	54,431	63,567	(14.4%)
(b) Profit after tax reported for first half year	1,497	1,369	9.3%
(c) Sales reported for second half year	45,731	48,274	(5.3%)
(d) Profit after tax reported for second half year	8,848	295	2,899%

17 [A breakdown of the total annual dividend \(in dollar value\) for the issuer's latest full year and its previous full year as follows:-](#)

	The Group and Company 31 Mar 2014	31 Mar 2013
	S\$'000	S\$'000
Ordinary	<u>1,139</u>	<u>759</u>

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Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Lim Yew Tou Eric	63	Son of Mr Lim Soo Peng who is the Chairman and Managing Director as well as a substantial shareholder of the Company	Executive director since 1979 assisting Managing Director in marketing, joint venture, acquisition and investment	Not applicable
Lim Yew Tee Collin	48	Nephew of Mr Lim Soo Peng who is the Chairman and Managing Director as well as a substantial shareholder of the Company	Plant Manager since 2013 assisting Managing Director in the daily operations of the Chlor-alkali Plant	Not applicable

BY ORDER OF THE BOARD

FOO SOON SOO
Company Secretary

15 May 2014