



ALLIED TECHNOLOGIES LIMITED

Financial Statement for the period ended 30 June 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.

	GROUP					
	3 months ended			6 months ended		
	2Q FY14	2Q FY13	+ / (-)	1H FY14	1H FY13	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	24,542	25,589	(4%)	47,124	50,904	(7%)
Other income	275	201	37%	2,289	528	>100%
Total revenue	24,817	25,790	(4%)	49,413	51,432	(4%)
Change in inventories of finished goods and work-in-progress	(192)	(1,774)	(89%)	(1,479)	(2,134)	(31%)
Raw materials and consumables used	(14,188)	(14,552)	(3%)	(26,745)	(29,672)	(10%)
Depreciation expenses	(780)	(872)	(11%)	(1,626)	(1,734)	(6%)
Amortisation expenses	(5)	(4)	25%	(9)	(9)	-
Staff costs	(5,254)	(6,580)	(20%)	(10,768)	(12,902)	(17%)
Other operating expenses	(4,331)	(4,964)	(13%)	(8,673)	(9,590)	(10%)
Total operating expenses	(24,750)	(28,746)	(14%)	(49,300)	(56,041)	(12%)
Profit/(loss) from operating activities	67	(2,956)	(>100%)	113	(4,609)	(>100%)
Interest on borrowings	(63)	(107)	(41%)	(123)	(297)	(59%)
Profit/(loss) before income tax	4	(3,063)	(100%)	(10)	(4,906)	(100%)
Income tax						
- current year	(21)	(43)	(51%)	(21)	(64)	(67%)
- prior year	-	-	n.m	-	-	n.m
- deferred tax	(967)	-	n.m	(967)	-	n.m
	(988)	(43)	>100%	(988)	(64)	>100%
Loss after income tax	(984)	(3,106)	(68%)	(998)	(4,970)	>100%
Attributable to:						
Equity holders of the Company	(984)	(3,106)	(68%)	(998)	(4,970)	(80%)
Statement of comprehensive income						
Loss after income tax	(984)	(3,106)	(68%)	(998)	(4,970)	(80%)
<i>Other comprehensive income</i>						
Translation differences relating to financial statements of foreign subsidiaries	(570)	1,349	(>100%)	(2,039)	2,211	(>100%)
Total comprehensive income for the period	(1,554)	(1,757)	(12%)	(3,037)	(2,759)	10%
Attributable to equity holders of the Company	(1,554)	(1,757)	(12%)	(3,037)	(2,759)	10%

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

	GROUP			
	<u>2Q FY 14</u>	<u>2Q FY 13</u>	<u>1H 2014</u>	<u>1H 2013</u>
	S\$'000	S\$'000	S\$'000	S\$'000
(a) Raw materials and consumables used:				
Write-back of inventory obsolescence	(17)	(146)	(327)	(248)
(b) Other income:				
Interest income	(15)	(11)	(74)	(19)
Gain on disposal of property, plant and equipment	(6)	(10)	(20)	(12)
Amortisation of deferred compensation income	-	-	(1,770)	-
Rental income	(165)	(130)	(338)	(396)
(c) Operating loss is stated after charging/(crediting):				
(Write-back of)/allowance for impairment on trade debtors	-	(104)	2	(203)
Foreign exchange (gains)/losses	(51)	23	324	78

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	
	30/06/14	31/12/13	30/06/14	31/12/13
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assests				
Intangible assets	183	196	46	53
Property, plant and equipment	47,731	43,882	229	227
Investment property	4,704	4,895	-	-
Investment in subsidiary companies	-	-	36,762	34,876
Loan receivables from subsidiary commpanies	-	-	14,925	14,200
Deferred tax assets	4,759	5,947	-	-
Other investments	2,205	2,205	2,081	2,081
	59,582	57,125	54,043	51,437
Current assets				
Inventories, net	11,491	12,927	722	957
Amounts due from subsidiary companies	-	-	8,841	11,039
Trade debtors	27,721	28,797	2,991	2,516
Other debtors	1,173	2,983	23	66
Prepayments and advances to suppliers	2,709	1,237	134	51
Dividend receivable	-	-	-	127
Fixed deposits (pledged)	238	235	-	-
Cash at bank and in hand	13,269	20,091	918	3,953
	56,601	66,270	13,629	18,709
Current liabilities				
Trade creditors	24,714	25,666	1,803	1,678
Hire purchase creditors	-	10	-	10
Other creditors and accruals	7,949	5,696	2,137	1,130
Deferred compensation income	395	1,808	-	-
Amounts due to bankers	4,685	4,424	1,871	1,901
Provision for taxation	3,347	39	-	-
	41,090	37,643	5,811	4,719
Net current assets	15,511	28,627	7,818	13,990
Non-current liabilities				
Deferred compensation income	9,091	9,884	-	-
Deferred tax liabilities	330	3,783	-	-
	9,421	13,667	-	-
TOTAL NET ASSETS	65,672	72,085	61,861	65,427
Equity attributable to equity holders of the Company				
Share capital	57,337	57,337	57,337	57,337
Capital reserve	4,889	4,889	-	-
Other reserve	189	189	189	189
Revenue reserve	5,353	9,727	4,335	7,901
Exchange translation reserve	(2,096)	(57)	-	-
TOTAL EQUITY	65,672	72,085	61,861	65,427

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 2014		As at 31 December 2013	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
4,685	-	4,424	-

Amount repayable after one year

As at 30 June 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 and amounts due to bankers.

The hire purchase relates 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		6 months ended	
	2Q FY14	2Q FY13	1H FY14	1H FY13
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit/(loss) before income tax	4	(3,063)	(10)	(4,906)
Adjustments for:				
Gain on disposal of property, plant and equipment	(6)	(10)	(20)	(12)
Depreciation of property, plant and equipment	780	872	1,626	1,734
Amortisation of intangible assets	4	4	9	9
Amortisation of deferred compensation income	-	-	(1,770)	-
Interest income	(15)	(11)	(74)	(19)
Interest expense	63	107	123	297
Currency realignment	(80)	247	(1,019)	376
Operating profit/(loss) before working capital changes	750	(1,854)	(1,135)	(2,521)
Decrease in inventories	382	1,773	1,437	3,929
Increase in trade debtors and other debtors	(1,466)	(7,630)	(598)	(5,915)
Increase/(decrease) in trade creditors and other creditors	4,079	(4,427)	1,300	(5,649)
Cash generated from/(used in) operations	3,745	(12,138)	1,004	(10,156)
Interest paid	(63)	(107)	(123)	(297)
Interest received	15	11	74	19
Tax paid	(18)	(95)	(18)	(150)
Net cash generated from/(used in) operating activities	3,679	(12,329)	937	(10,584)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	6	40	20	42
Government grant received pursuant to Suzhou's compulsory land acquisition	-	26,650	2,011	26,650
Purchase of property, plant and equipment	(6,859)	(272)	(7,120)	(379)
Net cash (used in)/generated from investing activities	(6,853)	26,418	(5,089)	26,313
Cash flows from financing activities				
Issuance of ordinary shares	-	-	-	1
Dividend paid	(3,376)	-	(3,376)	-
Net decrease in hire purchase creditors	-	(30)	(10)	(59)
Drawdown of bank borrowings	1,791	9,297	3,680	8,505
Repayment of bank borrowings	(838)	(7,135)	(3,377)	(7,884)
Net increase in fixed deposit	(4)	(11,481)	(3)	(11,484)
Net cash used in financing activities	(2,427)	(9,349)	(3,086)	(10,921)
Net (decrease)/increase in cash and cash equivalents	(5,601)	4,740	(7,238)	4,808
Cash and cash equivalents at beginning of period	18,768	9,063	20,091	9,081
Effects of exchange rates on opening cash	102	(170)	416	(256)
Cash and cash equivalents at end of period	13,269	13,633	13,269	13,633

- 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)

Group	Ordinary shares	Exchange translation reserve	Statutory reserve fund	Other reserve	Revenue reserve	Total shareholders' equity
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
Total comprehensive income for the period	-	(570)	-	-	(984)	(1,554)
Dividend paid during the year	-	-	-	-	(3,376)	(3,376)
Balance as at 30 June 2014	57,337	(2,096)	4,889	189	5,353	65,672
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)
Issuance of ordinary shares pursuant to warrants exercised	1	-	-	-	-	1
Balance as at 31 March 2013	54,323	(2,774)	4,889	805	(3,115)	54,128
Total comprehensive income for the period	-	1,349	-	-	(3,106)	(1,757)
Balance as at 30 June 2013	54,323	(1,425)	4,889	805	(6,221)	52,371

- 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)

Consolidated Statement of Changes in Shareholders' Equity for the period ended 30 June (continued)

(In S\$'000)

	Ordinary shares	Other reserve	Revenue reserve	Total shareholders' equity
<u>Company</u>				
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
Total comprehensive income for the period	-	-	340	340
Dividend paid during the year	-	-	(3,376)	(3,376)
Balance as at 30 June 2014	57,337	189	4,335	61,861
Balance as at 1 January 2013	54,322	805	3,025	58,152
Total comprehensive income for the period	-	-	(46)	(46)
Issuance of ordinary shares pursuant to warrants exercised	1	-	-	1
Balance as at 31 March 2013	54,323	805	2,979	58,107
Total comprehensive income for the period	-	-	(488)	(488)
Balance as at 30 June 2013	54,323	805	2,491	57,619

- 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 30 June 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.**

	30 June 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 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 FY14</u>	<u>2Q FY13</u>	<u>1H FY14</u>	<u>1H FY13</u>
	Basic /	Basic /	Basic /	Basic /
	Diluted *	Diluted *	Diluted *	Diluted *
<u>Earnings (\$'000)</u>				
Loss attributable to equity holders of the Company	(984)	(3,106)	(998)	(4,970)
<u>Earnings per share (cents)</u>				
- Basic and diluted	(0.15)	(0.51)	(0.15)	(0.82)

*employees' share option and warrants (expired on 1 November 2013) 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-14	31-Dec-13	30-Jun-14	31-Dec-13
Net asset value per ordinary share based on issued share capital at end of the period (in cents)	9.73	10.68	9.16	9.69
Net asset value as at end of period (\$'000)	65,672	72,085	61,861	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 recorded revenue of S\$24.5 million in 2Q 2014, which represents a 4% decrease as compared to 2Q 2013. This decrease in revenue for the period under review was attributed to the decreased revenue of the Company's subsidiary located in Suzhou due to the relocation of Suzhou plants, causing lower sales orders and a delay in the production of certain projects.

However, this decrease was partially offset by the higher revenue recorded by the Company and other subsidiaries located in Malaysia, Shanghai, Dongguan and Vietnam.

The revenue generated by the Company and its Malaysia subsidiary has improved significantly for the period under review. This is mainly due to increased sales orders from existing customers and new customers.

The Group's Dongguan subsidiary has on the other hand, continued to enjoy consistent sales orders with a 22% increase in revenue as compared to 2Q 2013. This is mainly attributed by new projects awarded by its main customer in 2Q 2014.

With new projects awarded by the existing major customers coupled by the overall region's burgeoning growth, the Company's Vietnam subsidiary has demonstrated a significant improvement in sales, by an increase of 33% in revenue, compared to its previous corresponding period.

Other income of the Group comprises mainly of rental income, interest income, amortisation of compensation income and gains on disposal of property, plant and equipment.

b. Operating results

Overall

The Group recorded a loss attributable to shareholders of S\$0.984 million and S\$0.998 million in 2Q 2014 and 1H 2014 respectively. This was mainly due to lower revenues generated from the Company's Suzhou subsidiary in addition to the high production and labour cost from the Shanghai subsidiary amid a high inflationary business environment and rigorous pricing pressures from customers.

The Shanghai subsidiary was adversely affected by the high production cost, labour cost and was incurring operating losses. After proper assessment and consideration of its performance, the deferred tax assets in Shanghai subsidiary has been fully impaired by S\$0.967 million.

The net loss of the Group for 2Q 2014 was also caused by the pre-operating expenses incurred in the newly incorporated Thailand subsidiary.

However, the loss was mitigated by a significant improvement in the Company's Vietnam subsidiary, which achieved a profit of S\$0.4 million in 1H 2014 compared to a loss of S\$0.4 million in 1H 2013 as Vietnam subsidiary has been awarded with high value-added project from one of its existing main customers.

In the absence of deferred tax assets impairment in Shanghai subsidiary, the Group would have recorded a net loss of S\$17,000 and S\$31,000 respectively in 2Q 2014 and 1H 2014.

Raw materials and consumables used

Consistent with the lower sales, raw materials and consumables used by the Group dropped by 10% to S\$26.7 million in 1H 2014.

Staff costs

Compared to 2Q 2013, staff costs have decreased by 20% in 2Q 2014. This was due to a decrease in headcounts at all entities of the Group, in line with stringent cost-cutting measures in the light of lower sales volume during the period under review.

The total headcount of the Group stood at 1,761 as at 30 June 2014.

Depreciation and amortisation expenses

In 2Q 2014, depreciation and amortisation expenses decreased by 11% to S\$0.8 million compared to 2Q 2013. This was mainly due to assets being fully depreciated during the period under review.

Other operating expenses

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

For the period under review, other operating expenses have decreased by 13%.

Finance costs

The finance costs decreased substantially by 41% to S\$0.06 million in the current period due to lower loan quantum compared to 2Q 2013, even though the Group took up an additional loan amounting to S\$0.9 million, which increased its outstanding loans to S\$4.7 million as at 30 June 2014.

c. Balance Sheet and Cash Flow Statements

The increase in the value of property, plant and equipment was mainly due to the construction-in-progress for the expansion of Allied Suzhou's factory. However, the increase has been offset by the depreciation charges during the quarter and further mitigated by the weakening of the Renminbi ("RMB"), as compared to last December, resulting in a lower translated value of fixed assets of our entities in the People's Republic of China ("the PRC").

In the current period, deferred tax assets has decreased to S\$4.8 million, mainly due to the full impairment of deferred tax assets in the Company's Shanghai subsidiary of S\$0.967 million.

During the period under review, inventories and trade debtors were reduced to S\$11.5 million and S\$27.7 million respectively as a result of lower sales. The usage of raw materials and consumables over the sales of the Group has also reduced by 5% in 2Q 2014. However, the Group's prepayments have increased to S\$2.7 million due to an investment in machineries in the newly incorporated Thailand subsidiary. Meanwhile, the decrease in cash and bank was mainly due to the acquisition of assets as well as dividends paid to shareholders.

On the other hand, trade creditors of the Group has decreased by S\$1 million which is consistent with lower purchases as a result of lower sales. As at 30 June 2014, other creditors of the Group has increased by S\$2.3 million in relation to the expansion of Allied Suzhou's factory. The Group has increased its bank borrowings to S\$4.7 million in order to finance its operation in Shanghai subsidiary.

The increase in the Group's provision for taxation of S\$3.3 million in the current period under review was mainly due to the reclassification of tax payable arising from compulsory land acquisition in Allied Suzhou from deferred tax liabilities. While resulting from the amortisation of deferred compensation income, the balance of deferred compensation income of the Group has decreased to S\$9.5 million.

The Group recorded an operating cash surplus of S\$0.9 million as at 30 June 2014. This was mainly due to the operating profit and positive cash inflow from the working capital. Meanwhile, the Group recorded a net increase of S\$0.3 million in bank borrowings and acquired new property, plant and equipment amounting to S\$7.1 million.

The Company has also paid dividends amounting to S\$3.4 million to its shareholders in 2Q 2014. Overall, cash and bank balances have decreased from S\$20.1 million as at 31 December 2013 to S\$13.3 million as at 30 June 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.

As business environment remains challenging, the Group will continue to seek ways to step up its marketing effort to improve growth opportunities by securing high value-added projects to improve its utilisation capacity and productivity.

The Management concerns 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 30 June 2014 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 2Q 2014.

14. Confirmation by the Board pursuant to rule 705 (5) of the Listing Manual

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 Company, for the second quarter ended 30 June 2014 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

8 August 2014