



ALLIED TECHNOLOGIES LIMITED

Financial Statement for the period ended 30 September 2017

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 group together with a comparative statement for the corresponding period of the immediately preceding financial period.

	GROUP					
	3 months ended			9 months ended		
	3Q FY17	3Q FY16	+/(-) %	9M FY17	9M FY16	+/(-) %
	S\$'000	S\$'000		S\$'000	S\$'000	
Revenue	36,781	33,754	9%	102,443	89,796	14%
Other income	428	599	(29%)	1,141	1,449	(21%)
Total revenue	37,209	34,353	8%	103,584	91,245	14%
Change in inventories of finished goods and work-in-progress	(391)	(743)	(47%)	(350)	(2,125)	(84%)
Raw materials and consumables used	(23,509)	(20,401)	15%	(65,725)	(55,691)	18%
Depreciation expenses	(864)	(854)	1%	(2,591)	(3,101)	(16%)
Amortisation expenses	(2)	(5)	(60%)	(8)	(14)	(43%)
Staff costs	(6,011)	(6,119)	(2%)	(16,810)	(17,512)	(4%)
Other operating expenses	(5,774)	(5,443)	6%	(13,981)	(13,635)	3%
Total operating expenses	(36,551)	(33,565)	9%	(99,465)	(92,078)	8%
Profit/(loss) from operating activities	658	788	(16%)	4,119	(833)	n.m.
Interest on borrowings	(140)	(109)	28%	(324)	(296)	9%
Profit/(loss) before income tax	518	679	(24%)	3,795	(1,129)	n.m.
Income tax expense	(56)	-	n.m.	(38)	-	n.m.
Profit/(loss) after income tax	462	679	(32%)	3,757	(1,129)	n.m.
Attributable to:						
Equity holders of the Company	462	679	(32%)	3,757	(1,129)	n.m.
Statement of comprehensive income						
Profit/(loss) after income tax	462	679	(32%)	3,757	(1,129)	n.m.
<i>Other comprehensive income</i>						
Items that will not be reclassified to profit or loss						
Liquidation of subsidiaries	-	-	n.m.	(152)	-	n.m.
Items that may be reclassified to profit or loss						
Translation differences relating to financial statements of foreign subsidiaries	99	654	(85%)	(948)	(2,392)	(60%)
Total comprehensive income for the period	561	1,333	(58%)	2,657	(3,521)	n.m.
Attributable to equity holders of the Company	561	1,333	(58%)	2,657	(3,521)	n.m.

Note:

(i) n.m. - not meaningful

**1 (a) An income statement and statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial period.
(continued)**

Note:

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

	GROUP				
	3Q FY17	3Q FY16	+/(-) %	9M FY17	9M FY16
	S\$'000	S\$'000	%	S\$'000	S\$'000
(a) Raw materials and consumables used:					
Allowance for/(write back of) inventory obsolescence	397	(129)	n.m.	498	97
(b) Other income:					
Interest income	(23)	(8)	188%	(52)	(29)
(Gain)/loss on disposal of property, plant and equipment	(13)	8	n.m.	(18)	(186)
Gain on liquidation of subsidiaries	-	-	n.m.	(141)	-
Amortisation of deferred interest income	(81)	-	n.m.	(242)	-
Amortisation of deferred compensation income	(121)	(120)	1%	(362)	(370)
Rental income	(42)	(133)	(68%)	(85)	(214)
(c) Operating profit/(loss) is stated after charging/(crediting):					
Allowance for impairment on trade debtors	1,530	627	144%	1,559	254
Foreign exchange losses/(gains)	163	(84)	n.m.	719	522

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	
	30/09/17	31/12/16	30/09/17	31/12/16
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Intangible assets	129	150	1	10
Property, plant and equipment	38,931	35,609	13	32
Investment in subsidiaries	-	-	25,859	21,919
Loan receivables from subsidiaries	-	-	15,004	17,916
Deferred tax assets	470	477	-	-
Other investments	2,205	2,205	2,081	2,081
Other debtors	9,393	12,431	7,882	10,405
Prepayments	-	1,680	-	-
	<u>51,128</u>	<u>52,552</u>	<u>50,840</u>	<u>52,363</u>
Current assets				
Inventories	11,637	12,610	-	-
Amounts due from subsidiaries	-	-	4,861	4,685
Trade debtors	33,535	33,299	1,799	1,550
Other debtors	12,902	9,950	5,116	5,923
Prepayments and advances to suppliers	6,573	721	90	37
Income tax recoverable	-	4	-	-
Fixed deposits	1,470	1,096	-	348
Cash and bank balances	10,576	13,939	4,651	1,108
	<u>76,693</u>	<u>71,619</u>	<u>16,517</u>	<u>13,651</u>
Current liabilities				
Trade creditors	28,943	31,945	76	763
Hire purchase creditor	6	8	-	-
Other creditors and accruals	5,929	8,292	2,116	3,079
Deferred compensation income	483	491	-	-
Loans and borrowings	11,706	5,688	-	267
Income tax payable	51	-	-	-
	<u>47,118</u>	<u>46,424</u>	<u>2,192</u>	<u>4,109</u>
Net current assets	29,575	25,195	14,325	9,542
Non-current liabilities				
Other creditors and accruals	1,385	2,201	1,162	1,842
Hire purchase creditor	-	4	-	-
Deferred compensation income	7,613	8,105	-	-
Loans and borrowings	1,706	-	-	-
Deferred tax liabilities	3,768	3,863	-	-
	<u>14,472</u>	<u>14,173</u>	<u>1,162</u>	<u>1,842</u>
TOTAL NET ASSETS	<u>66,231</u>	<u>63,574</u>	<u>64,003</u>	<u>60,063</u>
Equity attributable to owners of the Company				
Share capital	57,337	57,337	57,337	57,337
Foreign currency translation reserve	(50)	1,050	-	-
Statutory reserve fund	1,938	1,938	-	-
Other reserves	189	189	189	189
Retained earnings	6,817	3,060	6,477	2,537
TOTAL EQUITY	<u>66,231</u>	<u>63,574</u>	<u>64,003</u>	<u>60,063</u>

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 September 2017		As at 31 December 2016	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
11,712	-	5,696	-

Amount repayable after one year

As at 30 September 2017		As at 31 December 2016	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
1,706	-	4	-

Details of any collateral

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

The hire purchase creditor relates to an asset of the Company's subsidiary which is financed under hire purchase.

The amounts due to bankers are secured facilities granted to the Company's subsidiaries (collectively, the "**Group**"). The secured facilities granted are secured by:

- (1) fixed deposits placement by the Company's respective subsidiaries;
- (2) lands and properties of the respective subsidiaries; and
- (3) an agreed amount of corporate guarantee provided by the Company.

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.

Consolidated cash flow statement for the year ended 30 September

	3 months ended		9 months ended	
	3Q FY17	3Q FY16	9M FY17	9M FY16
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit/(loss) before income tax	518	679	3,795	(1,129)
Adjustments for:				
(Gain)/loss on disposal of property, plant and equipment	(13)	8	(18)	(186)
Gain on termination of club membership	-	-	(41)	-
Gain on liquidation of subsidiaries	-	-	(141)	-
Depreciation of property, plant and equipment and investment property	864	854	2,591	3,101
Amortisation of intangible assets	2	5	8	14
Amortisation of deferred interest income	(81)	-	(242)	-
Amortisation of deferred compensation income	(121)	(120)	(362)	(370)
Interest income	(23)	(8)	(52)	(29)
Interest expense	140	109	324	296
Exchange differences	150	18	428	431
Operating profit before working capital changes	1,436	1,545	6,290	2,128
Decrease in inventories	835	930	550	2,405
Decrease/(increase) in trade debtors and other debtors	456	(5,891)	(7,685)	(83)
(Decrease)/increase in trade creditors and other creditors	(2,475)	4,488	(4,100)	(3,652)
Cash generated from/(used in) operations	252	1,072	(4,945)	798
Interest paid	(140)	(109)	(324)	(296)
Interest received	23	8	52	29
Tax refund/(paid)	-	2	(16)	2
Net cash generated from/(used in) operating activities	135	973	(5,233)	533
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	13	-	18	-
Proceeds from termination of club membership	-	-	45	201
Purchase of property, plant and equipment	(2,729)	(994)	(5,062)	(1,829)
Net cash used in investing activities	(2,716)	(994)	(4,999)	(1,628)
Cash flows from financing activities				
Net decrease in hire purchase creditors	(2)	(2)	(6)	(6)
Drawdown of bank borrowings	3,415	5,539	16,645	10,477
Repayment of bank borrowings	(3,215)	(6,483)	(8,815)	(10,713)
Decrease/(increase) in fixed deposits	1,919	10	(402)	(500)
Net cash generated from/(used in) financing activities	2,117	(936)	7,422	(742)
Net decrease in cash and cash equivalents	(464)	(957)	(2,810)	(1,837)
Cash and cash equivalents at beginning of period	11,194	13,791	13,939	15,514
Effects of exchange rates on opening cash and cash equivalents	(154)	223	(553)	(620)
Cash and cash equivalents at end of period	10,576	13,057	10,576	13,057

- 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 September
(In S\$'000)

	Share Capital	Foreign currency translation reserve	Statutory reserve fund	Other reserves	Retained earnings/ (losses)	Total equity attributable to owners of the Company
Group						
Balance as at 1 January 2017	57,337	1,050	1,938	189	3,060	63,574
Total comprehensive income for the period	-	(897)	-	-	1,562	665
Balance as at 31 March 2017	57,337	153	1,938	189	4,622	64,239
Total comprehensive income for the period	-	(302)	-	-	1,733	1,431
Balance as at 30 June 2017	57,337	(149)	1,938	189	6,355	65,670
Total comprehensive income for the period	-	99	-	-	462	561
Balance as at 30 September 2017	57,337	(50)	1,938	189	6,817	66,231
Balance as at 1 January 2016	57,337	2,737	4,889	189	(1,251)	63,901
Total comprehensive income for the period	-	(2,229)	-	-	(1,172)	(3,401)
Balance as at 31 March 2016	57,337	508	4,889	189	(2,423)	60,500
Total comprehensive income for the period	-	(817)	-	-	(636)	(1,453)
Balance as at 30 June 2016	57,337	(309)	4,889	189	(3,059)	59,047
Total comprehensive income for the period	-	654	-	-	679	1,333
Balance as at 30 September 2016	57,337	345	4,889	189	(2,380)	60,380

- 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.

(In S\$'000)

	Share capital	Other reserves	Retained earnings	Total equity attributable to owners of the Company
<u>Company</u>				
Balance as at 1 January 2017	57,337	189	2,537	60,063
Total comprehensive income for the period	-	-	(512)	(512)
Balance as at 31 March 2017	57,337	189	2,025	59,551
Total comprehensive income for the period	-	-	3,526	3,526
Balance as at 30 June 2017	57,337	189	5,551	63,077
Total comprehensive income for the period	-	-	926	926
Balance as at 30 September 2017	57,337	189	6,477	64,003
Balance as at 1 January 2016	57,337	189	6,267	63,793
Total comprehensive income for the period	-	-	(1,948)	(1,948)
Balance as at 31 March 2016	57,337	189	4,319	61,845
Total comprehensive income for the period	-	-	(436)	(436)
Balance as at 30 June 2016	57,337	189	3,883	61,409
Total comprehensive income for the period	-	-	1,039	1,039
Balance as at 30 September 2016	57,337	189	4,922	62,448

- 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 were no changes in the Company's share capital since the end of the previous period reported on, being 30 June 2017.

As at 30 September 2017 and 30 September 2016, the Company did not have any outstanding convertibles, treasury shares or subsidiary holdings.

- 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.**

	30 September 2017	31 December 2016
Total number of issued shares ('000) (excluding treasury shares)	675,164	675,164

There were no treasury shares as at 30 September 2017 and 31 December 2016.

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

Not applicable as the Company did not have any treasury shares as at 30 September 2017 and 31 December 2016.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable as the Company did not hold any subsidiary holdings as at 30 September 2017 and 31 December 2016.

- 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 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.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period as compared to those applied in the audited financial statements for the financial year ended 31 December 2016.

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.

The Group has adopted all the new and revised financial reporting standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to the Group and effective for the financial period beginning on or after 1 January 2017. The adoption of these new and revised FRS and INT FRS did not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior periods.

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, after deducting any provision for preference dividends.

Earnings/(loss) Per Share

	3 months ended		9 months ended	
	3Q FY17	3Q FY16	9M FY17	9M FY16
	Basic /	Basic /	Basic /	Basic /
	Diluted	Diluted	Diluted	Diluted
The Group				
<u>Earnings (\$'000)</u>				
Profit/(loss) attributable to equity holders of the Company	462	679	3,757	(1,129)
Weighted average number of ordinary shares ('000)	675,164	675,164	675,164	675,164
Earnings/(loss) per share (cents)				
- Basic and diluted	0.07	0.10	0.56	(0.17)

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 financial period reported on and (b) immediately preceding financial year.

Net asset value per ordinary share

	Group		Company	
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
Net asset value per ordinary share based on issued share capital at end of the period (in cents)	9.81	9.42	9.48	8.90
Net asset value as at end of period (\$'000)	66,231	63,574	64,003	60,063
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 revenue in 3Q FY2017 increased by 9% to S\$36.78 million compared to 3Q FY2016. Despite the completion of the disposal of the Group former's subsidiary in 4Q FY2016, the Group's revenue in 3Q FY2017 is higher than that of in 3Q FY2016. This is mainly attributable to the higher revenue recorded in the Company and its overseas subsidiaries located in Malaysia, Vietnam, Suzhou and Thailand.

In 3Q FY2017, the Company and its Malaysia subsidiary recorded an increase in revenue of S\$5.87 million in total, mainly resulting from higher sales demand from the existing main customers.

The revenue in Vietnam subsidiary has also increased by S\$0.95 million in 3Q FY2017 compared to that of 3Q FY2016. This is due to the increase of sales orders received from its existing main customer.

The revenue in Suzhou and Thailand subsidiaries are also in an upwards trend, increasing by S\$0.56 million and S\$0.33 million, respectively, compared to 3Q FY2016. This is due to higher orders received from its existing main customers in 3Q FY2017.

Overall, comparing the revenue in 9M FY2017 and 9M FY2016, revenue increased by 14% to S\$102.44 million, as a result of the higher sales demand received from the Group's existing main customers.

Other income of the Group comprises mainly of rental income, interest income, amortisation of deferred compensation income, gain on disposal of property, plant and equipment ("PPE") and gain on liquidation of subsidiaries.

Other income of the Group in 3Q FY2017 and 9M FY2017 are lower than that in 3Q FY2016 and 9M FY2016 by 29% and 21%, respectively. Lower other income recorded in 3Q FY2017 is mainly due to lower rental income and the absence of sundry income generated by the former subsidiaries.

The decrease in other income in 9M FY2017 is also due to lower rental income received and lower gain on disposal of PPE as compared to 9M FY2016. The decrease has been partly offset by the gain on liquidation of subsidiaries of S\$0.14 million, which was recorded in 2Q FY2017.

Included in the other income in 3Q FY2017 and 9M FY2017 is the amortisation of deferred interest income of S\$0.08 million and S\$0.24 million, respectively.

b. Operating results

Overall

In 3Q FY2017, the Group recorded a profit before tax of S\$0.46 million compared to that of S\$0.68 million in 3Q FY2016. Lower profit generated despite higher revenue achieved due to higher material cost and other operating expenses.

The Group's positive bottom line in 3Q FY2017 is contributed by the Company and its overseas subsidiaries located in Malaysia, Vietnam and Thailand. Suzhou subsidiary's bottom line is adversely impacted by the impairment made on trade debtors in 3Q FY2017. As a result, Suzhou subsidiary is in break-even position in 9M FY2017. While the remaining overseas subsidiaries are in profit-making position in 9M FY2017 attributable to the higher revenue achieved.

As a result, the Group recorded a profit after tax of S\$0.46 million and S\$3.76 million in 3Q FY2017 and 9M FY2017, respectively, as opposed to the profit after tax of S\$0.68 million and loss after tax of S\$1.13 million recorded in 3Q FY2016 and 9M FY2016, respectively.

Raw materials and consumables used

Raw materials and consumables used by the Group in 3Q FY2017 and 9M FY2017 increased by 15% and 18%, respectively, compared to 3Q FY2016 and 9M FY2016.

These increases are higher than the increases in revenue due to change in material mix for the Group's new products, which requires a higher percentage of raw material used.

Depreciation and amortisation expenses

Depreciation and amortisation expenses of the Group increased by 1% in 3Q FY2017 while the expenses decreased by 16% in 9M FY2017, compared to 3Q FY2016 and 9M FY2016, respectively.

The decrease in 9M FY2017 is mainly attributable to the absence of depreciation on PPE held by the former Shanghai and Taicang subsidiaries, which had been disposed of in 4Q FY2016. However, it was partly offset by the depreciation expenses charged on those newly acquired PPE in 9M FY2017.

Staff costs

Staff costs in 3Q FY2017 and 9M FY2017 decreased by 2% and 4%, respectively, despite the Group's increase in headcount from 2,173 as at 30 September 2016 to 2,194 as at 30 September 2017.

The lower staff costs in 3Q FY2017 and 9M FY2017 are primarily due to the disposal of the former subsidiary in Shanghai in 4Q FY2016, which incurred higher staff costs in 3Q FY2016 and 9M FY2016. These decreases are partially offset by the staff costs for additional operation workers recruited to cope with the higher sales volume in 3Q FY2017 and 9M FY2017.

Other operating expenses

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

Other operating expenses increased by 6% and 3% in 3Q FY2017 and 9M FY2017, respectively. This is mainly due to the allowance for impairment on trade debtors and unfavourable movement of foreign currencies that resulted in foreign exchange losses. The increase is partly offset by the other operating expenses incurred by the former subsidiaries in Shanghai and Taicang. The impairment on trade debtors was made for a trade receivable from a particular customer in Suzhou subsidiary, where the recoverability is doubtful.

Finance costs

The Group's finance costs increased to S\$0.14 million and S\$0.32 million in 3Q FY2017 and 9M FY2017, respectively. This is mainly attributed to the increase in bank borrowings drawdown in 3Q FY2017 and 9M FY2017.

c. Balance Sheet

The Group has S\$38.93 million of PPE balance as at 30 September 2017 compared to that of S\$35.61 million as at 31 December 2016. The increase in the carrying amount of PPE is due to addition of new PPE but offset partially by depreciation charge during the period.

The Group's other debtors balance (under non-current assets) is pertaining to deferred consideration arising from disposal of the Group's former subsidiaries in Shanghai and Taicang. The balance as at 30 September 2017 is lower due to the receipt of S\$2.82 million instalment payment in the 2Q FY2017.

The prepayment balance under non-current assets as at 31 December 2016 of S\$1.68 million is pertaining to the prepayment made for land acquired by the Company's newly incorporated subsidiary, Allied Precision Technologies (M) Sdn Bhd ("**APT**M"). The full amount has been reclassified to PPE upon obtaining the land ownership. APTM was incorporated in August 2016 and has not started its operations as at 30 September 2017.

As at 30 September 2017, inventories balance decreased to S\$11.64 million due to higher sales demand from customers in the current quarter. The Group's trade debtors balance as at 30 September 2017 is higher compared to that of 31 December 2016 due to higher revenue recorded. The balance is after the allowance for impairment on trade debtors in Suzhou subsidiaries that have been overdue and the recoverability is doubtful.

The Group's other debtors balances have increased to S\$12.90 million as at 30 September 2017 from S\$9.95 million as at 31 December 2016. The increase is mainly due to advances to a third party for placement of tender deposits for new solar power projects tendered by Suzhou subsidiary of S\$4.54 million as well as cost incurred in relation to procurement of materials for new solar power projects managed by the Suzhou subsidiary. The increase in other debtors has been partially offset by the tax receivable refunded by Vietnam local tax authority.

The Group's prepayments and advances to suppliers balances as at 30 September 2017 has increased by S\$5.85 million to S\$6.57 million. This is attributable to the advances made to suppliers of S\$5.03 million by Suzhou subsidiary for a solar power related project to purchase the materials required. The increase is also due to machineries down payment paid by APTM for its new operations.

Trade creditors balance has decreased from S\$31.95 million to S\$28.94 million as a result of repayment made during the period and partly offset by the material cost purchased and accruals for procurement made for new solar power projects by Suzhou subsidiary. The other creditors and accruals balances (both current and non-current) have also declined from S\$10.49 million to S\$7.31 million as at 30 September 2017. The decrease is mainly due to repayment of partial land acquisition cost accrued as at 31 December 2016 and amortisation of deferred interest income during the period.

The Group's deferred compensation income balance in Suzhou subsidiary had decreased to S\$8.10 million as at 30 September 2017 due to the amortisation of deferred compensation income. In addition, the effect of the weakening of the Renminbi ("**RMB**") against the Singapore Dollar ("**S\$**") resulted in a lower translated balance.

As at 30 September 2017, the Group's loans and borrowings have increased to S\$13.41 million from S\$5.69 million as at 31 December 2016. This is mainly due to the drawdown of bank borrowings by the Group's overseas subsidiaries for land acquisition and working capital purposes amounting to S\$16.65 million in total. However, the increase is partially offset by the repayments of bank borrowings which had matured during the period.

Both deferred tax liabilities and deferred tax assets in the Group's balance sheet are attributable to the subsidiaries in the PRC. The lower total net deferred tax liabilities balances presented as at 30 September 2017 as compared to 31 December 2016 is mainly caused by the foreign currency translation differences and reversal of deferred tax liabilities of S\$0.03 million.

The equity attributable to owners of the Company has increased by S\$2.66 million to S\$66.23 million as at 30 September 2017. The increase is resulting from the profit generated in 9M FY2017 of S\$3.76 million and partly offset by the foreign currency translation loss of S\$1.10 million mainly due to the weakening of RMB against S\$ as at 30 September 2017.

d. Cash Flow Statements

In 9M FY2017, the Group recorded a net cash used in operating activities of S\$5.23 million compared to the net cash generated from operating activities of S\$0.53 million in 9M FY2016. This is due to the working capital outflows of approximately S\$11.24 million. This is resulted from the cash outflows for the purpose of the management of new solar power projects by Suzhou subsidiary, which includes placement of contract deposits as well as advances paid to suppliers for purchases of required materials and related expenses. The capital outflows are also attributable to the repayments made to trade and other creditors during the period. These outflows have been partially offset by the net profit generated in 9M FY2017.

The Group's net cash used in investing activities for 9M FY2017 increased by S\$3.37 million as compared to 9M FY2016. The increase is mainly attributable to the higher PPE acquisition of S\$3.23 million in 9M FY2017.

The Group has generated S\$7.42 million from its financing activities as compared to the cash used in financing activities of S\$0.74 million in 9M FY2017. This is mainly due to the net proceeds from drawdown of bank borrowings of S\$7.83 million in 9M FY2017 as compared the net repayment of S\$0.24 million in 9M FY2016. The increase in bank borrowings is mainly for working capital, investment in PPE and funds used for the management of new solar power projects purposes.

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

No forecast or prospect statement has been previously disclosed to shareholders.

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

With the increase in production costs across the region, stiff pricing competition and foreign currency movements, the Group expects to face challenging business conditions in the next 12 months.

11 Dividend

(a) Current Financial Period Reported On

Whether any dividend has been declared (recommended) for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Whether any dividend was declared (recommended) for the corresponding period of the immediately preceding financial year?

None.

- (c) **Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

- (d) **Date payable**

Not applicable.

- (e) **Books closure date**

Not applicable.

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

No dividend for the period ended 30 September 2017 has been declared or recommended.

- 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 Company has not obtained a general mandate from shareholders for interested person transactions.

- 14 Negative confirmation by the Board pursuant to Rule 705(5)**

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 unaudited financial statements of the Group and the Company for the third quarter ended 30 September 2017 to be false or misleading in any material aspect.

- 15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).**

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H of the Catalist Rules) under Rule 720(1) of the Catalist Rules.

- 16. Use of proceeds**

The Company has raised net proceeds from Placement of approximately S\$33.40 million. As at the date of announcement, the net proceeds have not been utilised.

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

13 November 2017

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), this being the SGX-ST Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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