



CHEMICAL INDUSTRIES (FAR EAST) LIMITED.
化学工业(远东)有限公司

Company Registration No. : 196200046K

UNAUDITED RESULTS FOR HALF YEAR ENDED 30 SEPTEMBER 2017

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		Increase/ (Decrease) %
	30 Sep 2017 S\$'000	30 Sep 2016 S\$'000	
Revenue	33,503	25,362	32.1
Cost of sales	<u>(27,749)</u>	<u>(17,325)</u>	60.2
Gross Profit	5,754	8,037	-28.4
Other (expenses) income (net)	(229)	387	n.m.
Distribution expenses	(2,480)	(1,414)	75.4
Administrative expenses	(2,299)	(3,653)	-37.1
Finance costs	<u>(2)</u>	<u>(197)</u>	-98.9
Profit before tax	744	3,160	-76.5
Income tax expense	<u>(197)</u>	<u>(680)</u>	
Profit for the period attributable to owners of the company	547	2,480	
Other comprehensive income (net of tax):			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Available-for-sale investments	<u>71</u>	<u>(2)</u>	
Total comprehensive income for the year attributable to owners of the company	618	2,478	

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		
	30 Sep	30 Sep	Increase/ (Decrease)
	2017	2016	
	S\$'000	S\$'000	%
Dividend income	22	23	-4.3
Interest income	16	9	77.8
Net foreign exchange (loss) gain	(418)	207	n.m.
Gain on disposal of plant and machinery	9	0	n.m.
Depreciation	(3,259)	(3,150)	3.5
Interest on borrowings	(2)	(197)	-99

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	
	30 Sep 2017 S\$'000	31 Mar 2017 S\$'000	30 Sep 2017 S\$'000	31 Mar 2017 S\$'000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	23,949	26,267	20,297	23,115
Trade and other receivables	11,555	9,860	11,455	9,758
Due from subsidiaries	0	0	6,156	6,034
Inventories	5,177	4,667	5,316	4,767
Total current assets	<u>40,681</u>	<u>40,794</u>	<u>43,224</u>	<u>43,674</u>
NON-CURRENT ASSETS				
Property, plant and equipment	30,663	32,727	29,889	32,127
Investment properties	41,400	41,400	0	0
Subsidiaries	0	0	6,383	6,383
Available-for-sale investments	792	708	792	708
Total non-current Assets	<u>72,855</u>	<u>74,835</u>	<u>37,064</u>	<u>39,218</u>
TOTAL ASSETS	<u>113,536</u>	<u>115,629</u>	<u>80,288</u>	<u>82,892</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables	5,713	5,326	5,156	4,776
Due to subsidiaries	0	0	240	351
Current portion of finance leases	37	88	10	10
Income tax payable	3,945	4,481	3,695	4,286
Total current liabilities	<u>9,695</u>	<u>9,895</u>	<u>9,101</u>	<u>9,423</u>
NON-CURRENT LIABILITIES				
Finance leases	25	30	25	30
Deferred tax liabilities	4,004	4,232	3,966	4,193
Total non-current liabilities	<u>4,029</u>	<u>4,262</u>	<u>3,991</u>	<u>4,223</u>
CAPITAL AND RESERVES				
Share capital	75,945	75,945	75,945	75,945
Reserves	1,054	983	603	532
Accumulated profit (losses)	22,813	24,544	(9,352)	(7,231)
Total equity	<u>99,812</u>	<u>101,472</u>	<u>67,196</u>	<u>69,246</u>
TOTAL LIABILITIES AND EQUITY	<u>113,536</u>	<u>115,629</u>	<u>80,288</u>	<u>82,892</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.

	30 Sep 2017 S\$'000	31 Mar 2017 S\$'000
Amount repayable within one year		
Secured	37	88
Unsecured	0	0
	<u>37</u>	<u>88</u>
Amount repayable after one year		
Secured	25	30
Unsecured	0	0
	<u>25</u>	<u>30</u>
Total	<u>62</u>	<u>118</u>

Details of Collaterals

Finance leases amounting to S\$62,000 (31 March 2017: S\$118,000) are secured by plant and equipment under these finance lease arrangements.

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	
	30 Sep 2017 S\$'000	30 Sep 2016 S\$'000
Operating activities:		
Profit before tax	744	3,160
Adjustments for:		
Depreciation of property, plant and equipment	3,259	3,150
Amortisation of front end fee	0	38
Foreign exchange differences	579	21
Dividend income	(22)	(9)
Interest expense	2	197
Interest income	(16)	(9)
Operating cash flows before movements in working capital	4,546	6,548
Trade and other receivables	(1,777)	72
Inventories	(510)	870
Trade and other payables	363	1,837
Cash generated from operations	2,622	9,327
Dividends paid	(2,278)	(6,076)
Income tax paid	(961)	(1,194)
Interest paid	(2)	(197)
Interest received	16	9
Dividends received	22	9
Net cash (used in) from operating activities	(581)	1,878
Investing activities		
Purchase of property, plant and equipment	(1,195)	(1,046)
Additions to available-for-sale investments	(13)	(9)
Net cash used in investing activities	(1,208)	(1,055)
Financing activities		
Repayment of short-term bank loans	0	(7,641)
Repayment of long-term bank loans	0	(2,750)
Repayment of obligations under finance leases	(57)	(55)
Net cash used in financing activities	(57)	(10,446)
Net (decrease) increase in cash and cash equivalents	(1,846)	(9,623)
Cash and cash equivalents at the beginning of the year	26,267	48,017
Effect of exchange rate changes on the balances of cash held in foreign currencies	(472)	(10)
Cash and cash equivalents at end of the year	23,949	38,384

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
GROUP						
Balance at 1 April 2017	75,945	451	532	983	24,544	101,472
<u>Total comprehensive income for the period</u>						
Profit for the period	0	0	0	0	547	547
Other comprehensive gain	0	0	71	71	0	71
Total	0	0	71	71	547	618
Dividends paid, representing transactions with owners, recognised directly in equity	0	0	0	0	(2,278)	(2,278)
Balance at 30 September 2017	75,945	451	603	1,054	22,813	99,812
Balance at 1 April 2016	75,945	451	435	886	30,868	107,699
<u>Total comprehensive income for the period</u>						
Profit for the period	0	0	0	0	2,480	2,480
Other comprehensive loss	0	0	(2)	(2)	0	(2)
Total	0	0	(2)	(2)	2,480	2,478
Dividends paid, representing transactions with owners, recognised directly in equity	0	0	0	0	(6,076)	(6,076)
Balance at 30 September 2016	75,945	451	433	884	27,272	104,101

<u>COMPANY</u>	<u>Share capital</u> S\$'000	<u>Investment revaluation reserve</u> S\$'000	<u>Accumulated losses</u> S\$'000	<u>Total</u> S\$'000
Balance at 1 April 2017	75,945	532	(7,231)	69,246
<u>Total comprehensive income for the period</u>				
Profit for the period	0	0	157	157
Other comprehensive gain	0	71	0	71
Total	<u>0</u>	<u>71</u>	<u>157</u>	<u>228</u>
Dividends paid, representing transaction with owners, recognised directly in equity	0	0	(2,278)	(2,278)
Balance at 30 September 2017	<u>75,945</u>	<u>603</u>	<u>(9,352)</u>	<u>67,196</u>
Balance at 1 April 2016	75,945	435	(7,092)	69,288
<u>Total comprehensive income for the period</u>				
Profit for the period	0	0	10,852	10,852
Other comprehensive gain	0	(2)	0	(2)
Total	<u>0</u>	<u>(2)</u>	<u>10,852</u>	<u>10,850</u>
Dividends paid, representing transaction with owners, recognised directly in equity	0	0	(6,076)	(6,076)
Balance at 30 September 2016	<u>75,945</u>	<u>433</u>	<u>(2,316)</u>	<u>74,062</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 30 September 2017 and 31 March 2017 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	
	30 Sep 2017	31 Mar 2017
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 2017.

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

The Group has adopted the new and revised Singapore Financial Reporting Standards (“FRS”) and Interpretations of FRS (“INT FRS”) that are effective for annual periods beginning on or after 1 April 2017. The adoption of these standards and interpretations did 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	
	30 Sep 2017	30 Sep 2016
(i) Based on weighted average number of ordinary shares in issue	0.72 cts	3.27 cts
(ii) On a fully diluted basis	0.72 cts	3.27 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	
	30 Sep 2017	31 Mar 2017	30 Sep 2017	31 Mar 2017
Net asset value per ordinary share based on issued share capital of the Company	131 cts	134 cts	88 cts	91 cts

8 A review of the performance of the Group

Group Statement of Profit or Loss

Group revenue increased by 32.1% or S\$8.141 million to S\$33.503 million in the first half of 2018 (“1H FY2018”) compared to S\$25.362 million in the first half of 2017 (“1H FY2017”). The increase in revenue was mainly attributed to the increase in sales of its chlor-alkali products.

Group gross profit, on the other hand, dipped by 28.4% to S\$5.754 million 1H FY2018 as gross profit margin declined from 31.7% in 1H FY2017 to 17.2% in 1H FY2018. The decline in gross profit margin was mainly due to the following:

- a) Higher maintenance costs due to requirements to replace major parts of certain plant and machineries in every 3 to 5 years to ensure continued performance of the plant and machineries.

- b) Higher import costs of certain chlor-alkali products due to supply constraints in the Asia region. Due to contractual commitments, the Group were unable to pass on the increased costs fully to its customers.
- c) Severe price competition in the industry resulting in lower margins of its chemical products.
- d) Higher depreciation expenses at S\$3.259 million in 1H FY2018 compared to S\$3.150 million in 1H FY2017 due to acquisition of plant and equipment towards the end of FY2017 and during 1H FY2018.

Arising from the continued depreciation of US Dollar against Singapore Dollar in 1H FY2018, the Group recorded a net foreign exchange loss of S\$418,000 as compared to net foreign exchange gain of S\$207,000 in 1H FY2017. These resulted in other expenses (net) of S\$229,000 in 1H FY2018 as compared to other income (net) of S\$387,000 in 1H FY2017.

In line with change in customer profile, from pipeline to retail/wholesale, distribution expenses rose from S\$1.414 million in 1H FY2017 to of S\$2.48 million in 1H FY2018. This was due mainly to higher transportation costs as well as higher remuneration costs for deliveries personnel.

As part of ongoing costs reduction measures, there is decrease of administrative expenses from S\$3.653 million in 1H FY2017 to S\$2.299 million in 1H FY2018.

With the full repayment of its long-term and short-term bank loans in the 3rd quarter of FY2017, the Group's finance costs were at \$2,000 in 1H FY2018 compared to S\$197,000 in 1H FY2017. The current finance costs of S\$2,000 were attributed to outstanding finance leases on its plant and equipment.

Due to lower profitability recorded in 1H FY2018, income tax expense was lower at S\$197,000 in 1H FY2018 as compared to S\$680,000 in 1H FY2017.

As a result of the foregoing, Group net profit after tax for 1H FY2018 came in at S\$547,000 as compared to S\$2.48 million in the previous corresponding period.

Group Statement of Financial Position

The decrease in Group's net cash position to S\$23.949 million in 1H FY2018 was attributed to the payment of final dividend for FY2017 and acquisition of plant and equipment as disclosed in the Group's Cashflow statement.

Group's trade and other receivables increased by S\$1.695 million to S\$5.177 million in 1H FY2018 as a result of higher revenue and change in customers profile in 1H FY2018.

In order to meet the higher demand for our chlor-alkaline products, higher inventories were held as at 30 September 2017 as compared to 31 March 2017. Inventories were at S\$5.177 million in 1H FY2018 as compared to S\$4.667 million as at the end of the immediately preceding year.

Carrying value of property, plant and equipment were S\$2.064 million or 6.3% lower due to depreciation charge for the current period. The effects were partially offset by the acquisition of plant and equipment during the year.

Arising from the increase in fair value of its quoted investments, Group's available-for-sale investments rose to S\$792,000 in 1H FY2018 compared to S\$708,000 in FY2017.

Corresponding to the increase in inventories, trade and other payables increased by 7.3% to S\$5.713 million in 1H FY2018.

During the current period, the Group made repayment of S\$57,000 for its obligations under finance leases. A such finance leases came in at S\$62,000 as at 1H FY2018.

In line with lower profitability and income tax paid for the current period, income tax payable was lower at S\$3.945 million compared to S\$4.481 million in FY2017.

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

No.

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

Market conditions remains competitive and challenging for our manufactured Industrial Chemicals arising from price competition. The supply constraints of certain chlor-alkali product that we trade in the Asian region is expected to continue to increase in the short-term. If situation persists, profitability of the Group will be adversely affected.

For the Properties business, revenue and profitability are expected to remain steady and stable.

11 Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on? No

(b) Corresponding period of the immediately preceding financial year

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

Yes

Name of Dividend	Interim (Paid on 18 November 2016)
Dividend Type	Cash
Dividend Rate	12 cents per ordinary share
Tax Rate	One-tier tax exempt

(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 has been declared(recommended) for the current financial period reported on.

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.

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 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 results for the half year ended 30 September 2017 to be false or misleading.

15 Confirmation by the Board pursuant to rule 720(1) of the listing manual

On behalf of the Board of Directors of the Company, we hereby confirm that we have procured all the required undertakings to comply with the Exchange's listing rules from all the Directors and Executive Officers of the Company.

BY ORDER OF THE BOARD

FOO SOON SOO
Company Secretary

02 November 2017