



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 31 MARCH 2018

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) %
	FY2018 S\$'000	FY2017 S\$'000	
Revenue	70,855	58,128	21.9
Cost of sales	<u>(56,745)</u>	<u>(41,269)</u>	37.5
Gross Profit	14,110	16,859	-16.3
Other income (net)	6,258	4,042	54.8
Distribution expenses	(4,928)	(2,814)	75.1
Administrative expenses	(5,164)	(7,808)	-33.9
Finance costs	(3)	(239)	-99.2
Profit before tax	10,273	10,040	2.3
Income tax expense	<u>(615)</u>	<u>(1,175)</u>	-47.7
Profit for the year attributable to owners of the company	9,658	8,865	8.9
Other comprehensive income (net of tax):			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Available-for-sale investments	<u>186</u>	<u>97</u>	91.8
Total comprehensive income for the year attributable to owners of the company	9,844	8,962	9.8

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		Increase/ (Decrease) %
	FY2018 S\$'000	FY2017 S\$'000	
Dividend income	22	23	-4.3
Interest income	52	18	188.9
Insurance claim	-	1,517	n.m.
Net foreign exchange (loss) gain	(611)	416	n.m.
Gain on disposal of property, plant and equipment	9	-	n.m.
Gain from fair value adjustments on investment properties	6,400	1,600	300.0
Other miscellaneous income	386	468	-17.5
Depreciation	(6,531)	(6,333)	3.1
Interest on borrowings	(3)	(239)	-98.7

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 2018 S\$'000	31 Mar 2017 S\$'000	31 Mar 2018 S\$'000	31 Mar 2017 S\$'000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	23,273	26,267	20,654	23,115
Trade and other receivables	11,228	9,860	11,121	9,758
Due from subsidiaries	0	0	4,699	6,034
Inventories	9,433	4,667	9,595	4,767
Total current assets	<u>43,934</u>	<u>40,794</u>	<u>46,069</u>	<u>43,674</u>
NON-CURRENT ASSETS				
Property, plant and equipment	27,400	32,727	26,645	32,127
Investment properties	47,800	41,400	0	0
Subsidiaries	0	0	6,383	6,383
Available-for-sale investments	906	708	906	708
Total non-current Assets	<u>76,106</u>	<u>74,835</u>	<u>33,934</u>	<u>39,218</u>
TOTAL ASSETS	<u>120,040</u>	<u>115,629</u>	<u>80,003</u>	<u>82,892</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables	3,805	5,326	3,252	4,776
Due to subsidiaries	0	0	186	351
Current portion of finance leases	10	88	10	10
Income tax payable	3,618	4,481	3,395	4,286
Total current liabilities	<u>7,433</u>	<u>9,895</u>	<u>6,843</u>	<u>9,423</u>
NON-CURRENT LIABILITIES				
Finance leases	20	30	20	30
Deferred tax liabilities	3,549	4,232	3,483	4,193
Total non-current liabilities	<u>3,569</u>	<u>4,262</u>	<u>3,503</u>	<u>4,223</u>
CAPITAL AND RESERVES				
Share capital	75,945	75,945	75,945	75,945
Reserves	1,169	983	718	532
Accumulated profit (losses)	31,924	24,544	(7,006)	(7,231)
Total equity	<u>109,038</u>	<u>101,472</u>	<u>69,657</u>	<u>69,246</u>
TOTAL LIABILITIES AND EQUITY	<u>120,040</u>	<u>115,629</u>	<u>80,003</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.

	31 Mar 2018 S\$'000	31 Mar 2017 S\$'000
Amount repayable within one year		
Secured	10	88
Unsecured	0	0
	<u>10</u>	<u>88</u>
Amount repayable after one year		
Secured	20	30
Unsecured	0	0
	<u>20</u>	<u>30</u>
Total	<u>30</u>	<u>118</u>

Details of Collaterals

Finance leases amounting to S\$30,000 (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	
	FY2018 S\$'000	FY2017 S\$'000
Operating activities:		
Profit before tax	10,273	10,040
Adjustments for:		
Write down of inventory to net realisable value	249	-
Depreciation of property, plant and equipment	6,531	6,333
Gain from fair value adjustments on investment properties	(6,400)	(1,600)
Amortisation of front end fee	0	48
Foreign exchange differences	201	55
Dividend income	(22)	(23)
Gain on disposal of property, plant and equipment	(9)	0
Interest expense	3	239
Interest income	(52)	(18)
Operating cash flows before movements in working capital	10,774	15,074
Trade and other receivables	(1,575)	(1)
Inventories	(4,820)	1,444
Trade and other payables	(1,515)	1,892
Cash generated from operations	2,864	18,409
Dividends paid	(2,278)	(15,189)
Income tax paid	(2,161)	(2,087)
Interest paid	(3)	(239)
Interest received	52	18
Dividends received	22	23
Net cash (used in) from operating activities	(1,504)	935
Investing activities		
Proceeds on disposal of plant and equipment	11	0
Purchase of plant and equipment	(1,401)	(1,872)
Additions to available-for-sale investments	(12)	(9)
Net cash used in investing activities	(1,402)	(1,881)
Financing activities		
Repayment of short-term bank loans	0	(10,693)
Repayment of long-term bank loans	0	(10,000)
Repayment of obligations under finance leases	(88)	(111)
Net cash used in financing activities	(88)	(20,804)
Net decrease in cash and cash equivalents	(2,994)	(21,750)
Cash and cash equivalents at the beginning of the year	26,267	48,017
Cash and cash equivalents at end of the year	23,273	26,267

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 as at 1 April 2016	75,945	451	435	886	30,868	107,699
<u>Total comprehensive income for the year</u>						
Profit for the year	0	0	0	0	8,865	8,865
Other comprehensive gain	0	0	97	97	0	97
Total	0	0	97	97	8,865	8,962
Dividends paid, representing transactions with owners, recognised directly in equity	0	0	0	0	(15,189)	(15,189)
Balance as at 31 March 2017	75,945	451	532	983	24,544	101,472
<u>Total comprehensive income for the year</u>						
Profit for the year	0	0	0	0	9,658	9,658
Other comprehensive gain	0	0	186	186	0	186
Total	0	0	186	186	9,658	9,844
Dividends paid, representing transactions with owners, recognised directly in equity	0	0	0	0	(2,278)	(2,278)
Balance as at 31 March 2018	75,945	451	718	1,169	31,924	109,038

COMPANY	Share capital S\$'000	Investment revaluation reserve S\$'000	Accumulated losses S\$'000	Total S\$'000
Balance as at 1 April 2016	75,945	435	(7,092)	69,288
<u>Total comprehensive income for the year</u>				
Profit for the year	0	0	15,050	15,050
Other comprehensive gain	0	97	0	97
Total	<u>0</u>	<u>97</u>	<u>15,050</u>	<u>15,147</u>
Dividends paid, representing transaction with owners, recognised directly in equity	0	0	(15,189)	(15,189)
Balance as at 31 March 2017	75,945	532	(7,231)	69,246
<u>Total comprehensive income for the year</u>				
Profit for the year	0	0	2,503	2,503
Other comprehensive gain	0	186	0	186
Total	<u>0</u>	<u>186</u>	<u>2,503</u>	<u>2,689</u>
Dividends paid, representing transaction with owners, recognised directly in equity	0	0	(2,278)	(2,278)
Balance as at 31 March 2018	<u>75,945</u>	<u>718</u>	<u>(7,006)</u>	<u>69,657</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 2017 and 31 March 2018 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 Mar 2018	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	
	31 Mar 2018	31 Mar 2017
(i) Based on weighted average number of ordinary shares in issue	12.72 cts	11.67 cts
(ii) On a fully diluted basis	12.72 cts	11.67 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 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017
Net asset value per ordinary share based on issued share capital of the Company	144 cts	134 cts	92 cts	91 cts

8 A review of the performance of the Group

Group Statement of Profit or Loss

Group revenue in FY2018 was S\$70.9 million, an increase of 21.9% from S\$58.1 million in FY2017. This was due mainly to increase in the average selling price of Sodium Hydroxide and sales volume of our industrial chemicals products as a whole.

Group gross profit, on the other hand, dipped by 16.3% to S\$14.1 million in FY2018 as gross profit margin declined from 29% in FY2017 to 19.9% in FY2018. The decline in gross profit margin was attributed to lower margins on certain chemical products due to severe price competition, higher costs of imports and higher electricity costs in FY2018.

Other income (net) rose to S\$6.3 million in FY2018 compared to the S\$4 million in FY2017 as the Group recorded a substantial gain of S\$6.4 million (FY2017: S\$1.6 million) on the fair value valuation of its investment properties. The gain was partially offset by the net foreign exchange loss of S\$616,000 as opposed to the net foreign exchange gain of S\$416,000 in FY2017.

Distribution expenses increased to S\$4.9 million in FY2018 from S\$2.8 million in FY2017. This is in line with the change in customer profile, from pipeline to retail/wholesale, resulting in higher transportation costs.

Administrative expenses, on the other hand, decreased to S\$5.2 million in FY2018 as compared to S\$7.8 million in FY2017 mainly due to lower performance related remuneration cost and ongoing costs reduction measures.

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 S\$3,000 in FY2018 compared to S\$239,000 in FY2017. The current finance costs of S\$3,000 were attributed to outstanding finance leases on its plant and equipment.

Income tax expense was lower at S\$615,000 in FY2018 as compared to S\$1.2 million in FY2017 despite the increase in profitability. This was because the improved profitability in FY2018 arose mainly from the gain in fair value adjustments of its investments properties that were not subjected to tax.

As a result of the foregoing, Group net profit after tax for FY2018 came in at S\$9.7 million as compared to S\$8.9 million in the previous corresponding period.

Group Statement of Financial Position

The decrease in Group's net cash position to S\$23.3 million in FY2018 was mainly attributed to the movement in working capital. The Group's cash flows movements were disclosed in the Group's Cashflow statement on para 1c).

Group's trade and other receivables increased by S\$1.4 million to S\$11.2 million in FY2018 as a result of higher revenue recorded. Receivable turnover days had remained relatively stable at 55 days in FY2018 (FY2017: 59 days).

Inventories were at S\$9.4 million in FY2018 as compared to S\$4.7 million as at the end of the immediately preceding year in line with the sales growth recorded in FY2018. Inventory turnover days remained relatively stable at 45 days in both FY2018 (FY2017: 48 days).

Carrying value of property, plant and equipment were S\$5.3 million lower due to depreciation charge for the current period. The effects were partially offset by the acquisition of property, 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\$906,000 in FY2018 compared to S\$708,000 in FY2017.

Trade and other payables decreased by 28.6% to S\$3.8 million in FY2018 primarily due to timing differences in the payment of trade payables in FY2018.

During the current period, the Group made repayment of S\$88,000 for its obligations under finance leases with no acquisition of new leases. As such finance leases came in at S\$30,000 as at FY2018.

Group's tax liabilities that comprised of income tax payable and deferred tax liabilities was lower at S\$7.2 million compared to S\$8.7 million in FY2017 due to lower tax provision and payment in the current year.

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

The local business outlook for the chlor-alkali business in FY2019 is anticipated to remain as challenging as in FY2018. To mitigate the exposure, we will continue to focus our efforts to expand and grow markets, both local and foreign especially for non-chlor-alkali chemicals. We will be leveraging off our long experience in the chlor-alkali business, to develop manufacturing or processing plants in identified markets with or without partners. The Group will also continue to look at innovative ways to streamline our operations and achieved better costs efficiencies.

The properties business, on the other hand, is expected to remain similar as in FY2018 as office rents are expected remain reasonably stable in FY2019.

11 Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

Yes

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	1.5 cents per ordinary share
Tax Rate	One-tier tax exempt

(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	Final (Paid on 19 July 2017)	Interim (Paid on 18 November 2016)
Dividend Type	Cash	Cash
Dividend Rate	3 cents per ordinary share	12 cents per ordinary share
Tax Rate	One-tier tax exempt	One-tier tax exempt

(c) Date payable

18 July 2018

(d) Book closure date

The Share Transfer Books and Register of Members of Chemical Industries (Far East) Limited (the "Company") will be closed on 10 July 2018 after 5.00 p.m. for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited of 8 Robinson Road, #03-00 ASO Building, Singapore 048544 up to 5.00 p.m. on 10 July 2018 will be registered to determine shareholders' entitlements to the final dividend. Members whose securities accounts with The Central Depository (Pte) Limited credited with shares in the Company at 5.00 p.m. on 10 July 2018 will be entitled to the final dividends.

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.

14 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

<u>Segment revenue and results</u>	<u>Revenue</u>		<u>Profit</u>	
	<u>FY2018</u> <u>S\$'000</u>	<u>FY2017</u> <u>S\$'000</u>	<u>FY2018</u> <u>S\$'000</u>	<u>FY2017</u> <u>S\$'000</u>
Industrial Chemicals	69,383	56,696	2,834	7,782
Properties	1,472	1,432	7,368	2,456
Total	<u>70,855</u>	<u>58,128</u>	<u>10,202</u>	<u>10,238</u>
Interest income			52	18
Dividend income			22	23
Finance costs			<u>(3)</u>	<u>(239)</u>
Profit before income tax			10,273	10,040
Income tax expense			<u>(615)</u>	<u>(1,175)</u>
Consolidated revenue and profit for the year	<u>70,855</u>	<u>58,128</u>	<u>9,658</u>	<u>8,865</u>

<u>Segment assets</u>	<u>FY2018</u>	<u>FY2017</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Industrial Chemicals	68,683	70,433
Properties	50,451	44,488
Total segment assets	<u>119,134</u>	<u>114,921</u>
Unallocated assets	906	708
Consolidated assets	<u>120,040</u>	<u>115,629</u>

<u>Other segment information</u>	Capital expenditure		Depreciation	
	FY2018 S\$'000	FY2017 S\$'000	FY2018 S\$'000	FY2017 S\$'000
Industrial Chemicals	1,345	1,847	6,468	6,294
Properties	56	25	63	39
Total	<u>1,401</u>	<u>1,872</u>	<u>6,531</u>	<u>6,333</u>

Geographical information

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

Information about Major customers

50% (FY2017: 44%) of the Group's industrial chemicals revenue is generated from the top 4 (FY2017: 4) customers.

86% (FY2017: 83%) of the Group's properties revenue is generated from the top 6 (FY2017: 6) customers.

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

FY2018 recorded an increase in the average selling price and sales volume of our industrial chemicals products. As a result, the industrial chemicals segment reported an increased revenue of S\$69.4 million in FY2018. Despite the increase in revenue, the industrial chemicals segment reported a lower profit in FY2018 due to factors as disclosed in para 8.

Revenue from the Properties segment at S\$1.5 million, for FY2018, was slightly higher by S\$40,000 as compared to FY2017 as all units were leased to tenants in FY2018. Profit for the properties segment rose to S\$7.4 million compared to S\$2.5 million in FY2017 as a result of the substantial increase of the fair value of its investment properties, a gain of S\$6.4 million (FY2017: S\$1.6 million) was recorded in FY2018.

16 A breakdown of sales as follows:-

	THE GROUP		% increase (decrease)
	FY2018 S\$'000	FY2017 S\$'000	
(a) Sales reported for first half year	33,503	25,362	32.1
(b) Profit after tax reported for first half year	547	2,480	(77.9)
(c) Sales reported for second half year	37,352	32,766	14.0
(d) Profit after tax reported for second half year	9,111	6,385	42.7

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	
	FY2018	FY2017
	S\$'000	S\$'000
Ordinary	<u>1,139</u>	<u>11,391</u>

18 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 in the format set out in Appendix 7.7 under Rule 720(1).

19 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 Khang Cecil	65	Son of Mr Lim Soo Peng, Chairman and Managing Director and substantial shareholder of the Company	Executive Director since 2016. Assists Managing Director in strategic planning and daily operations of the Group	Not applicable
Lim Yew Tee Collin	51	Nephew of Mr Lim Soo Peng, Chairman and Managing Director and substantial shareholder of the Company	Executive Director since 2015. Oversees operations of the chlor-alkali manufacturing plant and technical aspects of the Group	Not applicable

BY ORDER OF THE BOARD

FOO SOON SOO
Company Secretary

22 MAY 2018