

Half Year Financial Statement And Dividend Announcement For The Period Ended 30-06-2013

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, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2013

	Note	Group		
		6 Months Ended		
		30-Jun-13	30-Jun-12	Change
		S\$'000	S\$'000	%
Revenue		30,671	41,201	(25.56%)
Cost of sales		(25,045)	(35,791)	(30.02%)
Gross Profit		5,626	5,410	3.99%
Other operating income		484	1,390	(65.18%)
Distribution expenses		(908)	(1,048)	(13.36%)
Administrative expenses		(4,285)	(4,434)	(3.36%)
Other operating expenses		(28)	(496)	(94.35%)
Share of (loss) / profit of associates		(140)	238	NM
Finance costs		(255)	(292)	(12.67%)
Profit before tax		494	768	(35.68%)
Taxation		(320)	(492)	(34.96%)
Profit for the period	(i)	174	276	(36.96%)
Profit / (Loss) attributable to:				
Owners of the Company		151	740	(79.59%)
Non-controlling interests		23	(464)	NM
		174	276	(36.96%)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2013

	Group		
	6 Months Ended		
	30-Jun-13	30-Jun-12	Change
	S\$'000	S\$'000	%
Profit for the period	174	276	(36.96%)
Other comprehensive (loss) / income, after tax:			
Exchange differences on translation of foreign operations	(477)	498	NM
	(477)	498	NM
Total comprehensive (loss) / income for the period	(303)	774	(139.15%)
Total comprehensive (loss) / income attributable to:			
Owners of the Company	151	1,044	(85.54%)
Non-controlling interests	(454)	(270)	68.15%
	(303)	774	(139.15%)

NM: Not meaningful

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2013 (cont'd)

Note

(i) Profit for the period is arrived at after charging/(crediting) the following:

	Group		
	30-Jun-13	30-Jun-12	Change
	S\$'000	S\$'000	%
Allowance for doubtful debts	1	9	(88.89%)
Amortisation of prepaid land rental	12	13	(7.69%)
Amortisation of intangible assets	202	160	26.25%
Amortisation of government grant	(32)	(30)	6.67%
Depreciation of property, plant and equipment	924	883	4.64%
Ex-gratia received	-	(959)	NM
Finance costs	255	292	(12.67%)
Foreign currency exchange adjustment (gain)/loss - net	(43)	490	NM
Gain on disposal of property, plant and equipment	(38)	(48)	(20.83%)
Government subsidy	(221)	(121)	82.64%
Interest income	(11)	(13)	(15.38%)
Property, plant and equipment written off	-	8	NM
Reversal of allowance for inventories	-	(200)	NM

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.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Group		Company	
	30-Jun-13	31-Dec-12	30-Jun-13	31-Dec-12
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets:				
Cash and bank balances	14,659	15,917	3,286	5,052
Trade receivables	11,608	12,693	-	-
Other receivables	4,532	4,367	2,777	2,354
Amount due from contract customer	2,309	2,309	-	-
Amount due from subsidiaries and associates	4,222	4,107	7,901	6,773
Inventories	32,747	34,989	-	-
Total current assets	70,077	74,382	13,964	14,179
Non-current assets:				
Property, plant and equipment	21,850	18,765	-	-
Prepaid land rental	1,104	1,116	-	-
Goodwill	497	497	-	-
Intangible assets	9,393	9,395	-	-
Investment in subsidiaries	-	-	32,574	32,574
Investment in associates	5,799	5,939	984	984
Available-for-sale investment	5,667	5,667	5,667	5,667
Club membership	190	190	190	190
Refundable deposits	668	668	-	-
Amount due from subsidiaries and associates	-	-	13,004	12,996
Total non-current assets	45,168	42,237	52,419	52,411
Total assets	115,245	116,619	66,383	66,590
LIABILITIES AND EQUITY				
Current Liabilities:				
Bank overdrafts	239	182	-	-
Current portion of bank loans	6,479	10,014	1,500	-
Current portion of finance leases	241	82	-	-
Bills payables	8,676	4,036	-	-
Trade payables	1,745	3,818	-	-
Other payables	14,044	15,195	419	2,540
Income tax payable/(receivable)	139	7	(184)	-
Total current liabilities	31,563	33,334	1,735	2,540
Non-current liabilities				
Bank loans	7,775	6,428	-	-
Finance leases	444	175	-	-
Government grants	1,904	1,936	-	-
Deferred tax liabilities	246	355	-	-
Total non-current liabilities	10,369	8,894	-	-
Capital, reserves and non-controlling interests				
Share capital	36,131	36,131	36,131	36,131
Reserves	26,685	27,309	28,517	27,919
Equity attributable to owners of the Company	62,816	63,440	64,648	64,050
Non-controlling interests	10,497	10,951	-	-
Total equity	73,313	74,391	64,648	64,050
Total liabilities and equity	115,245	116,619	66,383	66,590

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1 (b)(ii) Aggregate amount of group's borrowings and debt securities.

	Group	
	As At	
	30-Jun-13	31-Dec-12
	S\$'000	S\$'000
<u>Amount repayable in one year or less, or on demand:-</u>		
Secured	14,135	14,314
Unsecured	1,500	-
Sub-Total	15,635	14,314
<u>Amount repayable after one year</u>		
Secured	8,219	6,603
Unsecured	-	-
Sub-Total	8,219	6,603
Total borrowings and debt securities	23,854	20,917

Details of any collateral

At 30 June 2013 and 31 December 2012, the Group's secured borrowings consist of bank overdrafts, bank loans, finance leases and bills payable.

At 30 June 2013, a bank loans of S\$5.73 million (31 December 2012: S\$4.62 million) was secured by a charge over a property of subsidiary.

At 30 June 2013 and 31 December 2012, bank overdrafts, bills payable and remaining bank loans were secured by corporate guarantee of the Company. The finance leases were secured by the leased assets.

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 STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2013

	Note	Group	
		6 Months Ended	
		30-Jun-13	30-Jun-12
		S\$'000	S\$'000
Cash flows from operating activities:			
Profit before income tax:		494	768
Adjustments for:			
Allowance for doubtful debts		1	9
Amortisation of prepaid land rental		12	13
Amortisation of intangible assets		202	160
Amortisation of government grant		(32)	(30)
Depreciation of property, plant and equipment		924	883
Finance costs		255	292
Gain on disposal of property, plant and equipment		(38)	(48)
Interest income		(11)	(13)
Loss on disposal of intangible assets		20	-
Unrealised foreign exchange (gain)/loss		(404)	474
Property, plant and equipment written off		-	8
Reversal of allowance for inventories		-	(200)
Share of loss/(profit) of associates		140	(238)
Operating cash flow before working capital changes		1,563	2,078
Trade receivables		1,084	(550)
Other receivables		(165)	(500)
Inventories		2,242	1,747
Trade payables		(2,073)	(571)
Other payables		(1,589)	(1,783)
Cash generated from operations		1,062	421
Interest paid		(188)	(275)
Interest income received		11	13
Income taxes paid		(297)	(507)
Net cash generated from / (used in) operating activities		588	(348)
Cash flows from investing activities:			
Proceeds on disposal of property, plant and equipment		41	48
Proceeds on disposal of intangible assets		3	-
Proceeds from government in relation to compulsory land acquisition		-	10,711
Purchases of intangible assets		(223)	(769)
Purchases of property, plant and equipment		(4,012)	(1,555)
Decrease in amount due from associates		19	19
Net cash (used in) / from investing activities		(4,172)	8,454

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2013 (cont'd)

	Note	Group	
		6 Months Ended	
		30-Jun-13	30-Jun-12
		S\$'000	S\$'000
Cash flows from financing activities:			
Proceeds from / (Repayment of) bills payables, net		4,640	(448)
Proceeds from bank loans		4,984	6,900
Repayment of bank loans		(7,172)	(12,600)
Proceeds from obligations under finance leases		530	-
Repayment of obligations under finance leases		(102)	(106)
Dividends paid		(775)	(747)
Net cash from / (used in) financing activities		2,105	(7,001)
Net (decrease) / increase in cash and cash equivalents		(1,479)	1,105
Cash and cash equivalents at the beginning of the period		15,735	12,397
Effect of exchange rate changes on the balance of cash held in foreign currencies		164	(154)
Cash and cash equivalents at the end of the period	(1)	14,420	13,348

Note

(1) Cash and cash equivalents at the end of period includes the following:

	30-Jun-13	30-Jun-12
	S\$'000	S\$'000
Cash and bank balances	14,659	13,348
Bank overdrafts	(239)	-
	14,420	13,348

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 year.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2013

	Share Capital	Currency Translation Reserve	Reserve Fund	Share Options Reserve	Property Revaluation Reserve	Other Reserve	Retained Earnings	Attributable To Owners Of The Company	Non-Controlling Interests	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group										
Balance as at 1 January 2012	36,131	(1,145)	47	1,250	12,962	(835)	12,841	61,251	11,176	72,427
Dividend paid	-	-	-	-	-	-	(747)	(747)	-	(747)
Expiry of share options	-	-	-	(216)	-	-	216	-	-	-
Transfer of property revaluation reserve to retained earnings	-	-	-	-	(12,962)	-	12,962	-	-	-
Total comprehensive income/(loss) for the period	-	304	-	-	-	-	740	1,044	(270)	774
Balance as at 30 June 2012	36,131	(841)	47	1,034	-	(835)	26,012	61,548	10,906	72,454
Balance as at 1 January 2013	36,131	(701)	32	915	-	-	27,063	63,440	10,951	74,391
Dividend paid	-	-	-	-	-	-	(775)	(775)	-	(775)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	151	151	(454)	(303)
Balance as at 30 June 2013	36,131	(701)	32	915	-	-	26,439	62,816	10,497	73,313

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STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2013 (cont'd)

	Share Capital	Share Options Reserve	Property Revaluation Reserve	Retained Earnings	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Company</u>					
Balance as at 1 January 2012	36,131	1,250	12,962	12,178	62,521
Dividend paid	-	-	-	(747)	(747)
Expiry of share options	-	(216)	-	216	-
Transfer of property revaluation reserve to retained earnings	-	-	(12,962)	12,962	-
Total comprehensive income for the period	-	-	-	1,449	1,449
Balance as at 30 June 2012	36,131	1,034	-	26,058	63,223
Balance as at 1 January 2013	36,131	915	-	27,004	64,050
Dividend paid	-	-	-	(747)	(747)
Total comprehensive income for the period	-	-	-	1,345	1,345
Balance as at 30 June 2013	36,131	915	-	27,602	64,648

- 1 (d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of share 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.

SHARE CAPITAL

	Number of Shares	Share Capital
	'000	S\$'000
Balance as at 1 January 2013	248,973	36,131
Balance as at 30 June 2013	248,973	36,131

The number of shares that may be issued on conversion of all share options outstanding as at 30 June 2013 was 8,069,000 (as at 30 June 2012: 8,664,600).

- 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.

Please refer to item 1(d)(ii) above.

- 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 nor reviewed by our auditors.

- 3 Whether 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.

The Group and Company have adopted the same accounting policies and methods of computation for the current financial period since those applied in the financial year ended 31 December 2012 except for the adoption of new and revised accounting standards (including its consequential amendments) and interpretations applicable for the financial period beginning 1 January 2013.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changes, as well as the reasons for, and the effect of, the change.

Please refer to item 4 above

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.

EARNING PER ORDINARY SHARE

	Group		
	6 Months Ended		
	30-Jun-13	30-Jun-12	Change %
Earnings per ordinary share (EPS) for the financial period based on net profit attributable to the equity holders of the Company			
(i) Based on weighted average number of ordinary shares (in cents) - Weighted average number of shares	0.06 248,973,000	0.30 248,973,000	(80.00%) 0.00%
(ii) On a fully diluted basis (in cents) - Adjusted weighted average number of shares	0.06 248,973,000	0.30 248,973,000	(80.00%) 0.00%

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

	Group			Company		
	As At		Change	As At		Change
	30-Jun-13	31-Dec-12		30-Jun-13	31-Dec-12	
	Cents	Cents	%	Cents	Cents	%
Net asset backing per ordinary share based on the existing issued share capital as at the end of the financial period	25.23	25.48	(0.98%)	25.97	25.73	0.93%

The net asset value per ordinary share is based on 248,973,000 (2012: 248,973,000) shares at the end of each period.

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) 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; and**
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

The group's revenue for the half year ended 30 June 2013 dropped 25.56% from S\$41.20 million to S\$30.67 million. The decrease in group revenue of S\$10.53 million was mainly due to lower sales generated in both manufacturing and distribution divisions caused by weak demand of stainless steel products, lower selling price for steel products in manufacturing division and slow down in economy. However, the decrease in group revenue was partially offset by the higher sales generated in environmental business division as its confirmed sales for installation of equipment secured in 2012 were delivered and completed in the first half year of 2013.

Gross profit increased marginally by S\$0.22 million or 3.99% which was mainly attributable to higher gross profit contributed by the environmental business division after offsetting gross loss recognised in manufacturing division. Gross profit margin leaped by 5% to 18% in 30 June 2013 as compared to prior period. The improvement in gross profit margin was mainly due to more higher margin project sales for installation of equipment completed, upward price adjustment and increased wastewater treatment volume in environmental business division. However, the increase was partially offset by 4% drop in gross profit margin in manufacturing division as a result of lower production volume with higher fixed cost and lower selling price to customers in the competitive markets.

Group's distribution expenses and administrative expenses decreased by S\$0.14 million and S\$0.15 million respectively as compared to prior period which was in tandem to lower sales generated in first half year of 2013. Finance cost dropped slightly from S\$0.29 million to S\$0.26 million due to lower funding cost and outstanding balances for interest bearing borrowings. Other operating expenses decreased mainly due to favourable exchange rate movement recorded under other operating income in 30 June 2013 as compared to recognition of foreign currency exchange loss of S\$0.49 million under other operating expenses in prior period. In 30 June 2013, other operating income consisted mainly of government subsidy for environmental business of S\$0.22 million, rental income of S\$0.06 million and foreign currency exchange gain of S\$0.04 million as compared to one-off ex-gratia payments of S\$0.96 million, government subsidy for environmental business of S\$0.12 million and rental income of S\$0.15 million in prior period.

Share of loss of associates recorded in June 2013 was mainly due to lower sales generated coupled with decreased gross profit and gross profit margin as a result of weak demand of stainless steel products, lower selling price and slow down in economy.

Income tax expenses in 30 June 2013 consisted of an underprovision of income tax amounting to S\$0.17 million for an entity in Singapore under the distribution division.

The total liabilities of the Group decreased by S\$0.30 million from S\$42.23 million in 31 December 2012 to S\$41.93 million in 30 June 2013. The decrease in total liabilities was principally due to reduction in trade payables, other payables and bank loans which payments were made in accordance to the repayment terms. However, the decrease in total liabilities was partially offset by increase in finance leases of S\$0.43 million in relation to purchase of warehousing equipment and increase in bills payable of S\$4.64 million as reutilisation of bills payable for procurement of inventory. The Group's gross gearing increase slightly to 0.38 times in 30 June 2013 as compared to 0.33 times in 31 December 2012.

There is a decrease in current assets of S\$4.30 million from S\$74.38 million in 31 December 2012 to S\$70.08 million in 30 June 2013. The decrease in current assets was mainly due to decrease in trade receivables of S\$1.09 million which was in tandem to lower sales generated. In addition, the reduction in inventory of S\$2.24 million was attributed to prudent inventory management whilst lower cash balances of S\$1.26 million recorded in 30 June 2013 was due to payment made for additions of new office cum warehouse building. However, the decrease in current assets was partially offset by increase in other receivables of S\$0.17 million and increase in amount due from associates after currency revaluations net off against repayment made. Debtors turnover remained manageable and increased to 70 days in 30 June 2013 as compared to 58 days in 31 December 2012.

The increase in property, plant and equipment was mainly attributed to additions of new office cum warehouse at 52 Tuas Avenue 9 amounting to S\$2.95 million and purchase of warehousing equipment after offset with depreciation charged. Investment in associates decreased mainly due to recognition of Group's share of loss from associates amounting to S\$0.14 million in first half year of 2013.

Group's net asset per share at 30 June 2013 was 25.23 cents and weighted average EPS for first half year ended 30 June 2013 was 0.06 cents.

Cash and cash equivalents as at 30 June 2013 decreased by S\$1.32 million to S\$14.42 million from S\$15.74 million in 31 December 2012 due to higher cash used in investing activities for the purchase of new office cum warehouse and warehousing equipment offset with cash generated from financing activities.

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

Not applicable.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Due to the Euro zone debt crisis and the uncertainties in the BRIC (Brazil, Russia, India and China) economies, the remaining half of 2013 will continue to be very challenging for our business as we are a global player. Decrease in consumption and capital expenditure has resulted in excess capacity both in the manufacturing and the raw material sectors. These have translated to a general fall in prices and then increased in competition for the entire supply-chain.

However, competent and diligent end-user customers would benefit from the price movement and the Group will strive to identify and follow up opportunities presented by them. The health of the US market will determine the state of economy for the rest of 2013 and the first half of 2014.

The Group has been realigning its strategy and restructuring its business model in the past 2 years, in an effort to meet the changes in business environment that require prudent managing of cash flow, investing in human talent, moving into a more knowledge base economy and enhancing supply-chain management.

11 Dividend

(a) Current Financial Period Reported on

None

(b) Corresponding Period of the Immediately Preceding Financial Year

None

(c) Date Payable

Not applicable

(d) Books Closure Date

Not applicable

12 If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared.

13 Interested person transactions (IPT)

No IPT mandate has been obtained from shareholders.

14 Negative Confirmation by the Board pursuant to Rule 705(5)

We, Ow Chin Seng and Koh Beng Leong, being two directors of AnnAik Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial statements for first half of 2013 financial results to be false or misleading in any material aspect.

On behalf of the Board of Directors

Ow Chin Seng
Executive Chairman

Koh Beng Leong
Executive Director

BY ORDER OF THE BOARD

Wong Yoen Har
Company Secretary

13-August-13