

**OLD CHANG KEE LTD.**  
 (Company Registration No.: 200416190W)  
 (Incorporated in the Republic of Singapore on 16 December 2004)

**FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT  
 FOR THE FIRST QUARTER ENDED 30 JUNE 2016**

**PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS**

**1(a)(i) 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.**

<b>Consolidated statement of comprehensive income</b>	<b>The Group</b>		
	<b>First Quarter Ended 30-06-2016 S\$'000</b>	<b>30-06-2015 S\$'000</b>	<b>Increase / (Decrease) %</b>
<b>Revenue</b>	18,587	18,184	2.2
Cost of sales	(6,980)	(6,441)	8.4
<b>Gross profit</b>	11,607	11,743	(1.2)
<b>Other items of income</b>			
Interest income on short term deposits	38	10	280.0
Other income	151	455	(66.8)
<b>Other items of expenses</b>			
Selling and distribution expenses	(7,598)	(7,426)	2.3
Administrative expenses	(2,639)	(2,613)	1.0
Finance costs	(48)	(47)	2.1
Other expenses	(357)	(306)	16.7
<b>Profit before tax for the period</b>	1,154	1,816	(36.5)
Income tax expense	(250)	(371)	(32.6)
<b>Profit for the period</b>	904	1,445	(37.4)
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translating foreign operations	19	(9)	NM
<b>Other comprehensive income for the period, net of tax</b>	19	(9)	NM
<b>Total comprehensive income for the period, attributable to owners of the Company</b>	923	1,436	(35.7)

NM: Not meaningful

## 1(a)(ii)

## Notes to consolidated statement of comprehensive income

1. Profit before tax is arrived at after charging/(crediting) the following:

	The Group		
	First Quarter Ended		
	30-06-2016	30-06-2015	+/(-)
	S\$'000	S\$'000	%
Amortisation of intangible assets	15	3	NM
Depreciation of property, plant and equipment	1,100	870	26.4
Interest income from short-term deposits	(38)	(10)	280.0
Interest expense	48	47	2.1
Loss in foreign exchange, net	119	112	6.3
Gain on disposal of property, plant and equipment	(1)	-	NM

2. The major components of taxation comprise:

	The Group		
	First Quarter Ended		
	30-06-2016	30-06-2015	+/(-)
	S\$'000	S\$'000	%
Current income tax			
-Current income taxation	351	389	(9.8)
-Over provision in respect of prior years	(5)	-	NM
Deferred income tax			
-Movement in temporary differences	(96)	(18)	NM
Taxation recognised in the consolidated statement of comprehensive income	250	371	(32.6)

NM: Not meaningful

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	
	As at		As at	
	30-06-2016	31-03-2016	30-06-2016	31-03-2016
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-Current Assets</b>				
Property, plant and equipment	29,076	28,928	-	-
Intangible assets	370	385	-	-
Investment in subsidiary companies	-	-	5,640	5,640
Investment in unquoted shares	273	273	273	273
Long term deposits	1,908	1,748	-	-
	31,627	31,334	5,913	5,913
<b>Current Assets</b>				
Inventories	806	716	-	-
Trade and other receivables	214	156	-	-
Deposits	993	1,156	-	-
Prepayments	1,866	1,703	6	24
Amount due from associated companies	80	-	80	-
Amount due from subsidiary companies	-	-	9,774	9,735
Cash and bank balances	20,528	19,407	6,840	6,594
	24,487	23,138	16,700	16,353
<b>Current Liabilities</b>				
Trade and other payables	7,838	7,129	2,099	1,712
Other liabilities	165	162	-	-
Provisions	2,065	2,049	40	33
Bank loans	944	944	-	-
Finance lease liabilities	110	110	-	-
Provision for taxation	897	546	30	28
	12,019	10,940	2,169	1,773
<b>Net Current Assets</b>	12,468	12,198	14,531	14,580
<b>Non-Current Liabilities</b>				
Bank loans	6,740	6,976	-	-
Finance lease liabilities	251	279	-	-
Deferred tax liabilities	1,566	1,662	-	-
	8,557	8,917	-	-
<b>Net Assets</b>	<b>35,538</b>	<b>34,615</b>	<b>20,444</b>	<b>20,493</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	13,964	13,964	13,964	13,964
Retained earnings	18,581	17,677	6,480	6,529
Other reserves	2,993	2,974	-	-
<b>Total Equity</b>	<b>35,538</b>	<b>34,615</b>	<b>20,444</b>	<b>20,493</b>

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

**Amount repayable in one year or less, or on demand**

<b>As at 30-06-2016</b>		<b>As at 31-03-2016</b>	
<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
1,054	-	1,054	-

**Amount repayable after one year**

<b>As at 30-06-2016</b>		<b>As at 31-03-2016</b>	
<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
6,991	-	7,255	-

**Details of any collateral**

The Group's borrowings are secured as follows:

1. Bank loans are secured by:

- (i) a first legal mortgage on freehold and leasehold properties owned by the Group's wholly owned subsidiary companies as at 30 June 2016; and
- (ii) corporate guarantee by the Company as at 30 June 2016.

2. Finance lease obligations are secured by the lessors' title to the respective 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.

	The Group	
	First Quarter Ended	
	30-06-2016	30-06-2015
	S\$'000	S\$'000
<b>Cash flows from operating activities</b>		
Profit before tax	1,154	1,816
Adjustments for:		
Amortisation of intangible assets	15	3
Depreciation of property, plant and equipment	1,100	870
Gain on disposal of property, plant and equipment	(1)	-
Interest expense	48	47
Interest income	(38)	(10)
Currency realignment	110	93
<b>Operating profit before changes in working capital</b>	<u>2,388</u>	<u>2,819</u>
Increase in inventories	(90)	(266)
Increase in trade and other receivables	(58)	(53)
Increase in amount due from associate	(80)	-
Decrease/(increase) in deposits	3	(182)
Increase in prepayments	(163)	(15)
Increase in trade and other payables	709	1,490
Increase in other liabilities	3	9
Increase/(decrease) in provisions	16	(15)
<b>Cash flows from operations</b>	<u>2,728</u>	<u>3,787</u>
Tax refund	5	-
<b>Net cash flows from operating activities</b>	<u>2,733</u>	<u>3,787</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,338)	(980)
Purchase of intangible assets	-	(8)
Interest received	38	10
<b>Net cash flows used in investing activities</b>	<u>(1,300)</u>	<u>(978)</u>
<b>Cash flows from financing activities</b>		
Repayment of finance lease liabilities	(28)	(30)
Interest paid	(48)	(47)
Repayment of bank loans	(236)	(106)
<b>Net cash flows used in financing activities</b>	<u>(312)</u>	<u>(183)</u>
<b>Net increase in cash and cash equivalents</b>	1,121	2,626
Cash and cash equivalents at the beginning of the financial period	19,407	20,147
<b>Cash and cash equivalents at the end of the financial period</b>	<u>20,528</u>	<u>22,773</u>

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.

The Group	Equity attributable to owners of the Company					
	Share capital	Retained earnings	Other reserves	Foreign currency translation reserve	Asset revaluation reserve	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At 01-04-2016</b>	13,964	17,677	2,974	23	2,951	34,615
Profit for the period	-	904	-	-	-	904
<b>Other comprehensive income</b>						
Exchange differences on translating foreign operations	-	-	19	19	-	19
Total comprehensive income for the period	-	904	19	19	-	923
<b>At 30-06-2016</b>	<b>13,964</b>	<b>18,581</b>	<b>2,993</b>	<b>42</b>	<b>2,951</b>	<b>35,538</b>
<b>At 01-04-2015</b>	13,964	16,345	2,988	37	2,951	33,297
Profit for the period	-	1,445	-	-	-	1,445
<b>Other comprehensive income</b>						
Exchange differences on translating foreign operations	-	-	(9)	(9)	-	(9)
Total comprehensive income for the period	-	1,445	(9)	(9)	-	1,436
<b>At 30-06-2015</b>	<b>13,964</b>	<b>17,790</b>	<b>2,979</b>	<b>28</b>	<b>2,951</b>	<b>34,733</b>

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.

The Company	Share capital S\$'000	Retained earnings S\$'000	Total equity S\$'000
<b>At 01-04-2016</b>	13,964	6,529	20,493
Loss for the period	-	(49)	(49)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(49)	(49)
<b>At 30-06-2016</b>	<b>13,964</b>	<b>6,480</b>	<b>20,444</b>
<b>At 01-04-2015</b>	13,964	4,664	18,628
Loss for the period	-	(45)	(45)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(45)	(45)
<b>At 30-06-2015</b>	<b>13,964</b>	<b>4,619</b>	<b>18,583</b>

- 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.**

Ordinary shares

	Number of shares	S\$'000
Issued and fully paid ordinary shares as at 30 June 2016 and 31 March 2016	121,374,700	13,964

There were no treasury shares, outstanding options and/or other convertibles as at 30 June 2016 and 30 June 2015.

- 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.**

	As at 30-06-2016	As at 31-03-2016
Total number of issued shares	121,374,700	121,374,700

- 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. There were no treasury shares during and as at the end of the current financial year reported on.

- 2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures in this announcement have not been audited or reviewed by the Group's auditor.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Save as disclosed in paragraph 5 below, the Group has consistently applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those used in the most recently audited financial statements for the financial year ended 31 March 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 adopted the new and revised Financial Reporting Standards ("FRS") and Interpretations to FRS ("INT FRS") that are relevant to its operations, which took effect from financial periods beginning on or after 1 April 2016. Changes to the Group's accounting policies have been made as required in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of the new and revised FRS and INT FRS did not result in any substantial changes to the Group's and the Company's accounting policies and has no material impact on the financial statements for the current financial period reported on.

**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.**

Basic earnings per ordinary share (“EPS”) is computed by dividing the earnings attributable to owners of the Company in each financial period by the weighted average number of ordinary shares in issue during the respective financial periods.

EPS after deducting any provision for preference dividends:-	Group First Quarter ended	
	30-06-2016	30-06-2015
(a) Based on weighted average number of ordinary shares in issue (Singapore cents); and	0.74	1.19
(b) On a fully diluted basis (Singapore cents)	0.74	1.19

Number of shares used in the respective computations of EPS:-	Group First Quarter ended	
	30-06-2016	30-06-2015
(a) Based on weighted average number of ordinary shares in issue; and	121,374,700	121,374,700
(b) On a fully diluted basis	121,374,700	121,374,700

The basic and diluted EPS for the financial periods ended 30 June 2016 and 30 June 2015 are the same as there are no potentially dilutive shares in issue as at 30 June 2016 and 30 June 2015.

**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	
	30-06-2016	31-03-2016	30-06-2016	31-03-2016
Net asset value per ordinary share based on total number of issued shares as at the end of the financial period reported on	S\$0.29	S\$0.29	S\$0.17	S\$0.17
Total number of issued shares as at the end of the financial period reported on	121,374,700	121,374,700	121,374,700	121,374,700

**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.**

### **Revenue**

The Group's revenue increased from approximately S\$18.2 million for the financial period from 1 April 2015 to 30 June 2015 ("**1Q2016**") to approximately S\$18.6 million for the period from 1 April 2016 to 30 June 2016 ("**1Q2017**"), an increase of approximately S\$403,000 or 2.2%.

Revenue from retail outlets increased by approximately S\$441,000 or 2.5%. The increase in revenue was mainly due to incremental revenue from new outlets and higher revenue from existing outlets, partially offset by absence of revenue from temporary closure of outlets due to mall revamps.

Revenue from other services, such as delivery and catering services decreased by approximately S\$38,000 or 11.8%.

As at 30 June 2016, the Group operated a total of 85 outlets in Singapore as compared to 84 outlets as at 30 June 2015.

The Group's signature puff products remained the major contributor to its revenue and accounted for approximately 33.2% of the Group's revenue in 1Q2017, as compared to approximately 30.2% in 1Q2016.

### **Cost of sales and gross profit**

Cost of sales increased by approximately S\$539,000 or 8.4%. The increase was mainly due to the higher revenue generated by the Group and higher depreciation expenses for the Group's new factory, and machinery and equipment.

The Group's gross profit decreased by approximately S\$136,000 or 1.2%. The Group's gross profit margin decreased from approximately 64.6% in 1Q2016 to 62.4% in 1Q2017, mainly due to higher depreciation expenses arising from the Group's new factory, and machinery and equipment.

### **Other income**

Other income decreased by approximately S\$304,000 mainly due to an absence in 1Q2017 of the following one-off income that was recognised in 1Q2016:

- (a) government grant of S\$127,000 to support the Group's productivity initiatives; and
- (b) insurance proceeds of S\$218,000 received in relation to damaged equipment.

The decrease in other income was partially offset by an increase in employment credits of approximately S\$44,000, given as part of the government's Temporary Employment Credit scheme.

### **Operating Expenses**

#### Selling and distribution expenses

Selling and distribution ("**S & D**") expenses increased by approximately S\$172,000 or 2.3%. S & D expenses remained largely constant at approximately 40.9% of revenue in 1Q2017, as compared to approximately 40.8% of revenue in 1Q2016.

#### Administrative expenses

Administrative expenses increased slightly by approximately S\$26,000 or 1.0%.

### Other expenses

The increase in other expenses of approximately S\$51,000 in 1Q2017 was mainly due to an increase in depreciation and amortisation expense for office renovation and computer software.

As a result of the above, total operating expenses increased by approximately S\$250,000 or 2.4%. Total operating expenses amounted to approximately 57.3% of revenue in 1Q2017 and 57.1% in 1Q2016 respectively.

### **Depreciation**

Depreciation increased by approximately S\$230,000 or 26.4% in 1Q2017 as compared to 1Q2016, mainly due to higher depreciation expenses for the Group's new factory, and machinery and equipment.

### **Finance costs**

Finance costs increased slightly by approximately S\$1,000 mainly due to interest expenses on loans taken to finance the construction and renovation of factory facilities.

### **Profit before tax**

The Group's profit before tax decreased from approximately S\$1.8 million in 1Q2016 to approximately S\$1.2 million in 1Q2017, a decrease of approximately S\$662,000 or 36.5%.

Excluding the impact of one-off items of approximately S\$345,000 which was recognised as other income in 1Q2016, the Group's profit before tax decreased by approximately S\$317,000 or 21.5% in 1Q2017.

### **Taxation**

The Group's taxation expenses decreased by approximately S\$121,000 or 32.6%. The decrease was mainly due to the lower profit before tax in 1Q2017 as compared to 1Q2016.

### **Balance Sheet**

#### Non-current assets

The Group's non-current assets increased by approximately S\$293,000 or 0.9% mainly due to the following:

- (a) purchase of fixed assets mainly for additions of plant and equipment and renovation costs for the Group's new retail outlets, and construction of the Group's new factory; partially offset by depreciation expenses for 1Q2017; and
- (b) an increase in long term deposits mainly due to additional lease deposits paid to secure new outlets, and reclassification of short term lease deposits to long term upon lease renewals, in accordance with the respective lease tenures.

#### Current assets

The Group's current assets increased by approximately S\$1.3 million or 5.8% mainly due to the following:

- (a) an increase in inventories largely attributable to higher purchases of finished goods at more favourable bulk prices;
- (b) an increase of S\$1.1 million in cash and bank balances generated from operating activities, partially offset by purchase of property, plant and equipment and repayment of bank loans.
- (c) an increase in prepayment due to advance payments for equipment purchase.

The increase in current assets was partially offset by a decrease in short term deposits of approximately S\$163,000 mainly due to the reclassification of certain lease deposits to long-term assets upon lease renewals.

### Current liabilities

The Group's current liabilities increased by approximately S\$1.1 million or 9.9% mainly due to the following:

- (a) an increase in trade and other payables mainly due to increase in period-end billings by trade suppliers and contractors;
- (b) an increase in provision for taxation mainly to tax expenses provided for the current period.

### Non-current liabilities

The Group's non-current liabilities decreased by approximately S\$360,000 or 4.0% mainly due to a decrease in deferred tax liabilities and repayment of bank loans and finance lease in 1Q2017.

### Net working capital

As at 30 June 2016, the Group had a positive net working capital of approximately S\$12.5 million as compared to approximately S\$12.2 million as at 31 March 2016.

### **Cash flow**

For 1Q2017, the Group generated an operating profit before working capital changes of approximately S\$2.4 million. Net cash generated from operating activities, inclusive of working capital changes, amounted to approximately S\$2.7 million in 1Q2017.

In 1Q2017, net cash used in investing activities amounted to approximately S\$1.3 million. This was mainly attributable to renovation costs capitalised and the purchase of plant and equipment for the Group's new factory facility and retail outlets.

Net cash used in financing activities amounted to approximately S\$312,000 in 1Q2017. This was mainly due to repayments of bank loan and finance lease liabilities, including interest paid.

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

Not applicable. No forecast or prospect statement had 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.**

The Group expects operating lease expenses (rental) and labour and raw material costs to remain high in the next reporting period and the next 12 months, and believes that the labour market will continue to remain tight.

The Group is pleased to announce that it has in June 2016 obtained halal certification for its factory facility in Iskandar Malaysia and has commenced operations. The Group's new factory in Singapore when completed and operational, together with its Iskandar factory, will provide the platform for the Group to grow its business both locally and regionally.

**11 Dividend.**

**(a) Current financial period reported on.**

**Whether an interim (final) ordinary dividend has been declared (recommended) for the current financial period reported on?**

Nil.

**(b) Corresponding period of the immediately preceding financial year.**

Nil.

**(c) Date payable.**

Not applicable.

**(d) Books closure date.**

Not applicable.

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

No dividend has been declared/recommendeded 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 does not have a general mandate from its shareholders for recurrent interested person transactions.

**14 Update on use of exercise proceeds from Warrants Issue (“Exercise Proceeds”).**

As of 11 August 2016, of the original Exercise Proceeds amounting to S\$2,797,470, which had been set aside for repayment of the Group’s borrowings, investment purposes including but not limited to new business opportunities, funding of working capital requirements such as inventories and trade receivables and/or such other purposes as the Directors may deem fit, the Company has utilised S\$899,716 for additions of property, plant and equipment.

The remaining amount of S\$1,897,754 remains unutilised. The Company will continue to make periodic announcements on the use of the Exercise Proceeds as and when such proceeds are materially disbursed.

**15 Negative confirmation by the Board pursuant to Rule 705(5) of the Listing Manual**

We, Han Keen Juan and Lim Tao-E William, being two of the Directors of Old Chang Kee Ltd., do hereby confirm on behalf of the Board of Directors of the Company (the “**Board**”) that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the first quarter ended 30 June 2016 to be false or misleading in any material aspects.

**16 Confirmation pursuant to Rule 720(1) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“Catalist Rules”).**

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

On behalf of the Board:

Han Keen Juan  
Director

Lim Tao-E William  
Director

**BY ORDER OF THE BOARD**

**Adrian Chan Pengee**  
**Company Secretary**

11 August 2016

*This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “Sponsor”) for compliance with the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.*

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

*The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.*