
Half Year Financial Statements for the Financial Period Ended 30 June 2010

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS
1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Half Year Ended on 30 June		
	2010	2009	Change
	S\$'000	S\$'000	%
Revenue	28,798	17,098	68.4
Cost of sales	(24,036)	(15,219)	57.9
Gross profit	4,762	1,879	153.4
Other items of income			
Interest income	-	1	(100.0)
Other income	134	182	(26.4)
Other items of expense			
Selling expenses	(2,527)	(1,722)	46.7
General and administrative expenses	(1,202)	(1,108)	8.5
Finance costs	(43)	(63)	(31.7)
Other expenses	(888)	-	100.0
Profit/(loss) before income tax	236	(831)	(128.4)
Income tax expense	(118)	(21)	461.9
Profit/(loss) net of tax	118	(852)	(113.8)
Attributable to:			
Equity holders of the Company	118	(852)	(113.8)
Earnings before depreciation, interest, tax and amortisation ("EBDITA")	1,473	452	225.9

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (continue)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2010	Half Year Ended on 30 June		Change
	2010	2009	
	S\$'000	S\$'000	%
Profit/(loss) for the financial period	118	(852)	(113.8)
Other comprehensive income			
- Currency translation differences	1,023	(40)	n.m.
Total comprehensive income for the financial period, net of tax	1,141	(892)	(227.9)
Total comprehensive income attributable to: Equity holders of the Company	1,141	(892)	(227.9)
	<u>1,141</u>	<u>(892)</u>	(227.9)

1(a)(ii) Additional information to the income statement

	Half Year Ended on 30 June	
	2010	2009
(1) Financial indicators/ratios		
Gross profit margin	16.5%	11.0%
EBDITA margin	5.1%	2.6%
Profit before forex, interest and tax margin	2.2%	(4.8%)
Profit before income tax margin	0.8%	(4.9%)
Profit after income tax margin	0.4%	(5.0%)

(2) Profit before tax is stated after charging/(crediting) :-

	Half Year Ended on 30 June	
	2010	2009
	S\$'000	S\$'000
Other income including interest income	(134)	(136)
Loss on disposal of property, plant and equipment	75	1
Interest on borrowings	43	63
Depreciation and amortisation	1,194	1,221
Allowance/(write-back) for stock obsolescence and shrinkage	38	(12)
Foreign exchange loss/(gain), net	362	(48)
Currency translation loss on liquidation of subsidiaries	451	-

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	<u>Group</u>		<u>Company</u>	
	<u>30-Jun-10</u>	<u>31-Dec-09</u>	<u>30-Jun-10</u>	<u>31-Dec-09</u>
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Non-current assets</u>				
Property, plant and equipment	15,548	11,289	-	-
Intangible assets	3,844	3,975	-	-
Investment in subsidiaries	-	-	22,308	22,308
Loans to subsidiaries	-	-	1,815	2,074
Deferred income tax assets	817	839	-	-
	<u>20,209</u>	<u>16,103</u>	<u>24,123</u>	<u>24,382</u>
<u>Current assets</u>				
Stocks	13,836	8,900	-	-
Trade and other receivables	12,400	9,332	-	7
Prepaid operating expenses	247	352	6	2
Tax recoverable	143	64	-	-
Due from subsidiaries	-	-	883	1,010
Due from related parties (trade)	1,319	2,039	-	-
Fixed deposits, cash and bank balances	5,718	7,240	136	214
	<u>33,663</u>	<u>27,927</u>	<u>1,025</u>	<u>1,233</u>
<u>Current liabilities</u>				
Loans and borrowings	5,303	2,084	-	-
Trade and other payables	12,435	7,366	342	588
Due to directors (non-trade)	-	2,650	-	2,650
Due to subsidiaries	-	-	756	-
Due to related parties (trade)	2,927	2,146	-	-
Provision for income tax	105	36	7	10
	<u>20,770</u>	<u>14,282</u>	<u>1,105</u>	<u>3,248</u>
Net current assets/(liabilities)	12,893	13,645	(80)	(2,015)
<u>Non-current liabilities</u>				
Deferred income tax liabilities	251	275	-	-
Loans and borrowings	673	382	-	-
	<u>924</u>	<u>657</u>	<u>-</u>	<u>-</u>
Net assets	32,178	29,091	24,043	22,367
<u>Equity attributable to equity holders of the Company</u>				
Share capital	27,088	25,142	27,088	25,142
Reserves	5,090	3,949	(3,045)	(2,775)
	<u>32,178</u>	<u>29,091</u>	<u>24,043</u>	<u>22,367</u>
Total equity	32,178	29,091	24,043	22,367

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

	<u>As at 30-Jun-10</u>		<u>As at 31-Dec-09</u>	
	<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Borrowings and debt securities				
- Amount repayable in one year or less, or on demand	5,303	-	2,084	-
- Amount repayable after one year	673	-	382	-

Details of any collateral

The above borrowings are secured by corporate guarantees by the Company to the financial institutions.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	<u>Half Year Ended on 30 June</u>	
	<u>2010</u>	<u>2009</u>
	S\$'000	S\$'000
Cash flows from operating activities :		
Profit/(loss) before income tax	236	(831)
Adjustments for:		
Interest income	(1)	(1)
Finance costs	43	63
Depreciation of property, plant and equipment	1,063	1,090
Loss on disposal of property, plant and equipment	75	1
Amortisation of Intangible assets	131	131
Currency translation loss on liquidation of subsidiaries	451	-
Net exchange adjustment	192	245
Allowance/(write-back) for stock obsolescence and shrinkage	38	(12)
Operating income before reinvestment in working capital	2,228	686
(Increase)/decrease in stocks	(4,975)	4,250
(Increase)/decrease in trade and other receivables	(2,963)	442
Decrease/(Increase) in amount due from related parties	720	(583)
Increase/(decrease) in trade and other payables	2,163	(825)
Increase/(decrease) in amount due to related parties	781	(904)
Cash (used in)/generated from operations	(2,046)	3,066

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (continue)

Interest income	1	1
Finance costs	(40)	(63)
Income taxes paid, net of refund	(106)	(161)
Net cash (used in)/generated from operations	<u>(2,191)</u>	<u>2,843</u>
Cash flows from investing activities :		
Purchase of property, plant and equipment	(2,051)	(571)
Proceeds from disposal of property, plant and equipment	5	-
Progress payment for acquisition of subsidiary company	(2,650)	-
Net cash used in investing activities	<u>(4,696)</u>	<u>(571)</u>
Cash flows from financing activities :		
Net proceeds from the issue of ordinary shares	1,945	-
Proceeds from loans and borrowings	4,332	-
Repayment of loans and borrowings	(822)	(1,463)
Net cash provided by/(used in) financing activities	<u>5,455</u>	<u>(1,463)</u>
Net (decrease)/increase in cash and cash equivalents	(1,432)	809
Cash and cash equivalents at beginning of financial period	7,240	3,607
Effects of exchange rate changes on opening cash and cash equivalents	(90)	(2)
Cash and cash equivalents at end of financial period	<u><u>5,718</u></u>	<u><u>4,414</u></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

	Attributable to equity holders of the Company					Total Equity
	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Revenue Reserve	Total Reserves	
GROUP						
Balance at 1 January 2009	23,147	192	(2,146)	5,304	3,350	26,497
Total comprehensive income for the financial period	-	-	(40)	(852)	(892)	(892)
Balance at 30 June 2009	23,147	192	(2,186)	4,452	2,458	25,605
Balance at 1 January 2010	25,142	192	(2,620)	6,377	3,949	29,091
Total comprehensive income for the financial period	1,946	-	1,023	118	1,141	3,087
Balance at 30 June 2010	27,088	192	(1,597)	6,495	5,090	32,178
COMPANY						
Balance at 1 January 2009						
Total comprehensive income for the financial period						
Balance at 30 June 2009						
Balance at 1 January 2010						
Total comprehensive income for the financial period						
Balance at 30 June 2010						

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

In February 2010, the Rights Issue was completed, with a total of 48,497,408 Rights Shares and 48,497,408 Warrants officially listed and quoted on SGX-ST:

	No. of ordinary shares (in thousands)	S\$'000
Issued and paid up capital :-		
Balance at 1 January 2010	193,989	25,142
Rights Shares	48,498	1,940
Exercise of Warrants	134	6
	<hr/>	<hr/>
Balance at 30 June 2010	<u>242,621</u>	<u>27,088</u>

There were 48,363,408 Warrants outstanding as at 30 June 2010.

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

	<u>30 June 10</u>	<u>31 Dec 09</u>
Number of issued shares excluding Treasury shares	242,621,043	193,989,634

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

There was no treasury shares held by the Company during current financial year reported on.

1(e) Negative assurance confirmation on interim results under Rule 705 (5) of the SGX-ST

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the financial statements for the period under 30 June 2010, to be false or misleading in any material aspect.

On behalf of the Board,

Chia Soon Loi
Chairman

Willie Tan Chin Leong
Chief Executive Officer

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 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

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the most recent audited financial statements as at 31 December 2009, except for the adoption of FRS and INTFRS that are mandatory for the financial year beginning on or after January 2010. The adoption of these FRS and INTFRS have no significant impact to the Group.

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

Not applicable.

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

	Half Year Ended on 30 June	
	2010	2009
Net profit/(loss) attributable to shareholders (S\$'000)	<u>118</u>	<u>(852)</u>
<u>Number of shares (in thousands)</u>		
Weighted average number of ordinary shares for the calculation of basic earnings per share	<u>227,798</u>	<u>180,414</u>
Weighted average number of ordinary shares for the calculation of diluted earnings per share	<u>242,112</u>	<u>180,414</u>
<u>Earnings per share (cents)</u>		
Basic	<u>0.05</u>	<u>(0.47)</u>
Diluted	<u>0.05</u>	<u>(0.47)</u>

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:-

- (a) current financial period reported on; and
(b) immediately preceding financial year**

	Group		Company	
	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009
	Cents	Cents	Cents	Cents
Net asset value per ordinary share	13.26	15.00	9.91	11.53

Net assets backing per share for as at 30 June 2010 is computed based on 242,621,043 shares (2009: 193,989,634 shares).

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**

During the financial period ended 30 June 2010 ("1H2010"), the Group revenue increased by 68% to \$28.8 million compared to \$17.1 million recorded in the corresponding period of the last financial year ("1H2009"). The improved revenue for the current period resulted from higher customer demand and inventory replenishment by existing customers. Customer demand was lower in 1H2009 as it was then badly affected by the global financial and economic crisis. The turnover contribution ratio from manufacturing and distribution activities remained at 69:31 which was similar to 1H2009.

The Group's turnover from Manufacturing activities improved by 69% to \$20.0 million compared to \$11.8 million recorded in 1H2009. The improvement was the result of an increase in sales in almost all geographical regions with an increase in the overall shipment volume by a substantial 73%.

The Group's turnover from Distribution activities increased by 66% to \$8.8 million compared to \$5.3 million in 1H2009. One-third of the revenue growth was contributed by the China market, where the Group continually expands its distribution network. The increase in sales in the ASEAN region had also contributed to the overall improvement in the Group's turnover in 1H2010.

Gross profit margin strengthened by approximately 5.5% which was mainly due to a better product mix. However the increase was offset by the erosion in average selling price ("ASP") of resistors and higher manufacturing costs. Despite the improved sales activities in the Europe market, the recent European financial crisis had resulted in the weakening Euro and in turn contributed to the eroded ASP in this region. ASP in other regions was stable.

8. Review of Group Performance (cont'd)

The main factors underlying the increased cost of sales were higher material costs and process inefficiency when the Group embarked on an expansion plan to increase its existing production capacity and to realign key product focus. The impact of the latter is expected to be temporary. The expansion is progressing as planned and is expected to be completed by end August 2010. With this, the Group is able to achieve a higher level of sales and the increased production volume is expected to lower the average unit cost price.

The selling expenses had increased by 47%, which was mainly due to additional staff hired in order to strengthen the Group's sales and marketing team, especially in the China market. The increase also resulted from the additional freight costs incurred due to the higher sales activities in the current period. The relatively low selling expenses in 1H2009 was mainly due to various cost control measures, such as reducing headcount and freezing employees' wage, to tide the Group over the financial crisis.

The Group incurred a currency translation loss of \$0.45 million when it liquidated two of its subsidiaries in 1H2010. This amount was a one-time non-cash expense.

The Group suffered an exchange loss of \$0.36 million which was mainly due to the depreciation of the Euro. This had thus adversely affected the Group's Euro denominated trade receivables and bank balances. In addition, the weakening of US dollar against MY Ringgit further amplified the Group's exchange loss in 1H2010, as one of the wholly-owned subsidiary's functional currency is MY Ringgit but received its trade receivables in US dollars. On the other hand, there was no significant exchange exposure in 1H2009.

Cash Flow

Net cash used in operating activities of \$2.0 million was mainly due to an increase in inventory and trade payables. Due to the expansion in production in early 1H2010, the raw materials and consumables usage had correspondingly increased. At the same time, a shortage of supply of raw materials had also driven up the cost of materials. To avoid disruption to its production, the Group's manufacturing plant had secured additional stock to meet its sales. Likewise, with the higher production capacity and increased sales activities, the Group had thus held more finished goods on hand to meet increasing customers' demand.

Net cash used in investing activities was mainly related to capital expenditure incurred in relation to the expansion of the Group's manufacturing plant, and the repayment of outstanding consideration arising from the acquisition of CRL. The repayment was made using the net proceeds of \$1.9 million from the issuance of Rights shares in Feb 2010, and the Group's internal funds of \$0.75 million.

The Group's cash balance stood at \$5.7 million as at 30 June 2010.

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

The financial results of the current half year have been consistent with the commentaries made in the "Full Year Financial Statements for the Financial Period Ended 31 December 2009" that was made on 24 February 2010.

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

Based on existing market sentiments and rising customers' demands, the Group expects its shipment volume of chip resistors to grow. The shipment volume will be fully supported by the Group's expanded production capacity in the 2nd Half. The Group also has put in place a pricing strategy that will revise the ASP favorably in the key market regions.

Barring unforeseen circumstances, the Directors are of the opinion that the Group's FY2010 operating profits will improve over that achieved in FY2009.

11 Dividend

(a) Current Financial Period Reported On (ie. For the Financial Period 1H2009)

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the 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/recommended, a statement to that effect

No interim dividend has been declared or proposed to be declared for the financial period under review.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

- 13 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 immediately preceding year**

Not applicable.

- 14 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Not applicable

- 15 A breakdown of sales as follows:-**

Not applicable

- 16 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-**

Not applicable.

BY ORDER OF THE BOARD

Tan Swee Gek
Company Secretary

13 August 2010