

[Print this page](#)**Full Year * Financial Statement And Dividend Announcement**

* Asterisks denote mandatory information

| | |
|---|-------------------------|
| Name of Announcer * | ASJ HOLDINGS LTD |
| Company Registration No. | 199601740N |
| Announcement submitted on behalf of | ASJ HOLDINGS LTD |
| Announcement is submitted with respect to * | ASJ HOLDINGS LTD |
| Announcement is submitted by * | ONG BENG HONG |
| Designation * | JOINT COMPANY SECRETARY |
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>> Announcement Details

The details of the announcement start here ...

| | |
|----------------------------------|------------|
| For the Financial Period Ended * | 31-12-2005 |
|----------------------------------|------------|

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Full Year Financial Statements for the Financial Year Ended 31 December 2005
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

| | Financial Year Ended on 31 Dec | | |
|--|---------------------------------------|-----------------------|---------------|
| | 2005 | 2004 | Change |
| | S\$'000 | S\$'000 (Restated) | % |
| Revenue | 32,696 | 51,572 | (36.6) |
| Cost of sales | (24,802) | (35,803) | (30.7) |
| Gross profit | 7,894 | 15,769 | (49.9) |
| Other income | 54 | 4 | n.m. |
| Selling expense | (3,045) | (3,340) | (8.8) |
| General and administrative expense | (2,477) | (2,847) | (13.0) |
| Profit before foreign exchange, interest and tax ("PBFIT") | 2,426 | 9,586 | (74.7) |
| Foreign exchange gain / (loss), net | 315 | 187 | n.m. |
| Interest income | 26 | 142 | (81.7) |
| Interest expense | (4) | (3) | 33.3 |
| Profit before income tax | 2,763 | 9,912 | (72.1) |
| Income tax | (96) | (793) | n.m. |
| Profit after income tax | 2,667 | 9,119 | (70.8) |
| Profit after income tax attributable to: | | | |
| - Shareholders of the Company | 2,744 | 9,079 | (69.8) |
| - Minority interest | (77) | 40 | n.m. |
| | 2,667 | 9,119 | (70.8) |
| Earnings before depreciation, interest, tax and amortisation ("EBDITA") | 6,566 | 13,047 | (49.7) |

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

| | Financial Year Ended on 31 Dec | |
|--|---------------------------------------|-------------|
| | 2005 | 2004 |
| (1) Financial Indicators / Ratios | | |
| Gross profit margin | 24.1% | 30.6% |
| EBDITA margin | 20.1% | 25.3% |
| Profit before forex, interest and tax margin | 7.4% | 18.6% |
| Profit before income tax margin | 8.5% | 19.2% |
| Profit after income tax margin | 8.4% | 17.6% |
| Return on equity | 10.5% | 30.2% |
| Return on assets | 8.4% | 23.9% |

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

| | Financial Year Ended on 31 Dec | |
|---|---------------------------------------|-------------|
| | 2005 | 2004 |
| | S\$'000 | S\$'000 |
| Other income including interest income | (64) | (213) |
| Interest on borrowings | 4 | 3 |
| Depreciation and amortisation | 3,825 | 3,274 |
| Provision / (write back) for doubtful debts and bad debts written off | 17 | 52 |
| Provision / (write back) for stock obsolescence and shrinkage | 274 | (289) |
| Loss / (Gain) on disposal of property, plant and equipment | (16) | 7 |

(3) Income Tax

| | | |
|--|------------------|-------------------|
| Provision / (write back) for income tax in respect of the profit for the financial year :- | | |
| - Current income tax | 770 | 1,470 |
| - Deferred income tax | (373) | (554) |
| | <u>397</u> | <u>916</u> |
| Under / (over) provision of income tax in respect of prior financial years :- | | |
| - Current income tax | (301) | (146) |
| - Deferred income tax | - | 23 |
| | <u>(301)</u> | <u>(123)</u> |
| | <u><u>96</u></u> | <u><u>793</u></u> |

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

| | Group | | Company | |
|---------------------------------------|------------------|-----------------------|------------------|-----------------------|
| | 31-Dec-05 | 31-Dec-04 | 31-Dec-05 | 31-Dec-04 |
| | S\$'000 | S\$'000 (Restated) | S\$'000 | S\$'000 (Restated) |
| <u>Non-current assets</u> | | | | |
| Property, plant and equipment, net | 14,320 | 16,601 | - | - |
| Investment in subsidiary companies | - | - | 16,841 | 17,062 |
| Due from subsidiary companies | - | - | 3,909 | 3,768 |
| Deferred income tax assets | 1,068 | 900 | - | - |
| | 15,388 | 17,501 | 20,750 | 20,830 |
| <u>Current assets</u> | | | | |
| Stocks | 6,791 | 6,144 | - | - |
| Debtors | 7,118 | 9,258 | 15 | 15 |
| Tax recoverable | 84 | 30 | - | - |
| Due from subsidiary companies | - | - | 1,434 | 510 |
| Cash and cash equivalents | 3,428 | 5,021 | 23 | 1,481 |
| | 17,421 | 20,453 | 1,472 | 2,006 |
| <u>Current liabilities</u> | | | | |
| Creditors | 4,592 | 4,982 | 513 | 939 |
| Provision for income tax | 779 | 1,452 | - | 8 |
| | 5,371 | 6,434 | 513 | 947 |
| Net current assets | 12,050 | 14,019 | 959 | 1,059 |
| <u>Non-current liabilities</u> | | | | |
| Deferred income tax liabilities | (1,038) | (1,266) | - | - |
| | (1,038) | (1,266) | - | - |
| Net assets | 26,400 | 30,254 | 21,709 | 21,889 |
| <u>Equity</u> | | | | |
| Share capital | 20,915 | 20,862 | 20,915 | 20,862 |
| Reserves | 5,327 | 9,161 | 794 | 1,027 |
| | 26,242 | 30,023 | 21,709 | 21,889 |
| Minority interest | 158 | 231 | - | - |
| Total equity | 26,400 | 30,254 | 21,709 | 21,889 |

Analysis of balance sheet

1. The decrease in property, plant and equipment by \$2.3 million (or 14%) was mainly due to depreciation expense for the financial year of \$3.8 million offset by additions of machinery and equipment of about \$1.5 million.
2. The increase in deferred income tax assets was mainly due to the recognition of deferred tax assets by a subsidiary company in Malaysia.
3. The increase in stocks by \$0.6 million (or 11%) was mainly due to higher level of consignment or vendor managed inventories ("VMI") activities.

The analysis of stocks balance is as follows :-

| | As at 31-Dec-05 S\$'000 | As at 31-Dec-04 S\$'000 |
|--|--|--|
| Stocks | 7,443 | 6,607 |
| Less: Allowance for stock obsolescence and shrinkage | (652) | (463) |
| | <u>6,791</u> | <u>6,144</u> |
| Allowance as a percentage of stocks | 8.8% | 7.0% |

4. The decrease in debtors was in line with the decrease in turnover.
5. The decrease in creditors was mainly due to decrease in accrued payroll and related expenses and lower unpaid plant and equipment purchases.

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

| | As at 31-Dec-05 | | As at 31-Dec-04 | |
|--|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| | <u>Secured</u> S\$'000 | <u>Unsecured</u> S\$'000 | <u>Secured</u> S\$'000 | <u>Unsecured</u> S\$'000 |
| Borrowings and debt securities | | | | |
| - Amount repayable in one year or less, or on demand | - | - | - | - |
| - Amount repayable after one year | - | - | - | - |

Details of any collateral

Not applicable.

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

| | Financial Year Ended on 31 Dec | |
|--|---------------------------------------|-----------------------|
| | 2005 | 2004 |
| | S\$'000 | S\$'000 (Restated) |
| Cash flows from operating activities : | | |
| Profit before income tax | 2,763 | 9,912 |
| Adjustments for: | | |
| Interest income | (26) | (142) |
| Interest expense | 4 | 3 |
| Depreciation of property, plant and equipment | 3,825 | 3,274 |
| (Gain) / Loss on disposal of property, plant and equipment | (16) | 7 |
| Cost of share-based payments | 77 | 94 |
| Net exchange adjustment | (17) | (18) |
| Operating income before reinvestment in working capital | 6,610 | 13,130 |
| Increase in stocks | (593) | (251) |
| Decrease in debtors | 2,140 | 1,133 |
| Decrease in creditors | (547) | (53) |
| Cash generated from operations | 7,610 | 13,959 |
| Interest income | 26 | 142 |
| Interest expense | (4) | (3) |
| Income taxes paid, net of refund | (1,192) | (1,960) |
| Net cash provided by operating activities | 6,440 | 12,138 |
| Cash flows from investing activities : | | |
| Purchase of property, plant and equipment | (1,279) | (6,163) |
| Proceeds from disposal of property, plant and equipment | 88 | 68 |
| Net cash used in investing activities | (1,191) | (6,095) |
| Cash flows from financing activities : | | |
| Net proceeds from the issue of ordinary shares | 130 | 1,387 |
| Capital reduction | - | (13,831) |
| Dividends paid on ordinary shares | (6,972) | (23,024) |
| Net cash used in financing activities | (6,842) | (35,468) |
| Net decrease in cash and cash equivalents | (1,593) | (29,425) |
| Cash and cash equivalents at beginning of financial year | 5,021 | 34,446 |
| Cash and cash equivalents at end of financial year | 3,428 | 5,021 |

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

| GROUP | Share Capital | Share Premium Reserve | Share Option Reserve | Foreign Currency Translation Reserve | Revenue Reserve | Total Reserve | Minority Interest | Total Equity |
|--|----------------------|------------------------------|-----------------------------|---|------------------------|----------------------|--------------------------|---------------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance at 1 January 2004, previously reported | 28,342 | 937 | - | (471) | 27,853 | 28,319 | 200 | 56,861 |
| Effects of adopting FRS 102 | - | - | 19 | - | (19) | - | - | - |
| Balance at 1 January 2004, restated | 28,342 | 937 | 19 | (471) | 27,834 | 28,319 | 200 | 56,861 |
| Net profit for the year | - | - | - | - | 9,079 | 9,079 | 40 | 9,119 |
| Cost of share-based payments | - | - | 94 | - | - | 94 | - | 94 |
| Net effect of exchange differences | - | - | - | (343) | - | (343) | (9) | (352) |
| Dividend for FY 2003 paid, less income tax | - | - | - | - | (5,739) | (5,739) | - | (5,739) |
| Special dividend paid, less income tax | - | - | - | - | (17,285) | (17,285) | - | (17,285) |
| Issue of ordinary shares by exercise of executives' share option | 612 | 775 | - | - | - | 775 | - | 1,387 |
| Issue of bonus shares | 5,739 | (1,394) | - | - | (4,345) | (5,739) | - | - |
| Capital reduction | (13,831) | - | - | - | - | - | - | (13,831) |
| Balance at 31 December 2004, restated | 20,862 | 318 | 113 | (814) | 9,544 | 9,161 | 231 | 30,254 |
| Balance at 1 January 2005, previously reported | 20,862 | 318 | - | (814) | 9,657 | 9,161 | 231 | 30,254 |
| Effects of adopting FRS 102 | - | - | 113 | - | (113) | - | - | - |
| Balance at 1 January 2005, restated | 20,862 | 318 | 113 | (814) | 9,544 | 9,161 | 231 | 30,254 |
| Net profit for the year | - | - | - | - | 2,744 | 2,744 | (77) | 2,667 |
| Cost of share-based payments | - | - | 77 | - | - | 77 | - | 77 |
| Net effect of exchange differences | - | - | - | 240 | - | 240 | 4 | 244 |
| Dividend for FY 2004 paid | - | - | - | - | (6,972) | (6,972) | - | (6,972) |
| Issue of ordinary shares by exercise of executives' share option | 53 | 77 | - | - | - | 77 | - | 130 |
| Balance at 31 December 2005 | 20,915 | 395 | 190 | (574) | 5,316 | 5,327 | 158 | 26,400 |

STATEMENTS OF CHANGES IN EQUITY (Cont'd)

| COMPANY | Share Capital | Share Premium Reserve | Share Option Reserve | Revenue Reserve | Total Reserve | Total Equity |
|--|----------------------|------------------------------|-----------------------------|------------------------|----------------------|---------------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance at 1 January 2004, previously reported | 28,342 | 937 | - | 15,969 | 16,906 | 45,248 |
| Effects of adopting FRS 102 | - | - | 19 | (19) | - | - |
| Balance at 1 January 2004, restated | 28,342 | 937 | 19 | 15,950 | 16,906 | 45,248 |
| Net profit for the year | - | - | - | 12,015 | 12,015 | 12,015 |
| Cost of share-based payments | - | - | 94 | - | 94 | 94 |
| Dividend for FY 2003 paid, less income tax | - | - | - | (5,739) | (5,739) | (5,739) |
| Issue of ordinary shares by exercise of executives' share option | 612 | 775 | - | - | 775 | 1,387 |
| Issue of bonus shares | 5,739 | (1,394) | - | (4,345) | (5,739) | - |
| Capital reduction | (13,831) | - | - | - | - | (13,831) |
| Special dividend paid, less income tax | - | - | - | (17,285) | (17,285) | (17,285) |
| Balance at 31 December 2004, restated | 20,862 | 318 | 113 | 596 | 1,027 | 21,889 |
| Balance at 1 January 2005, previously reported | 20,862 | 318 | - | 709 | 1,027 | 21,889 |
| Effects of adopting FRS 102 | - | - | 113 | (113) | - | - |
| Balance at 1 January 2005, restated | 20,862 | 318 | 113 | 596 | 1,027 | 21,889 |
| Net profit for the year | - | - | - | 6,585 | 6,585 | 6,585 |
| Cost of share-based payments | - | - | 77 | - | 77 | 77 |
| Dividend for FY 2004 paid | - | - | - | (6,972) | (6,972) | (6,972) |
| Issue of ordinary shares by exercise of executives' share option | 53 | 77 | - | - | 77 | 130 |
| Balance at 31 December 2005 | 20,915 | 395 | 190 | 209 | 794 | 21,709 |

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 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

| | No. of ordinary shares (in thousands) | S\$'000 |
|--|--|----------------|
| Issued and paid up capital :- | | |
| Balance at 1 January 2005 | 173,850 | 20,862 |
| Issue of ordinary shares by exercise of executives' share option | 438 | 53 |
| Balance at 31 December 2005 | <u>174,288</u> | <u>20,915</u> |

As at the end of FY2005, the options granted under the Executive's Share Option Scheme (after adjusting for staff resignation) which have yet to be exercised are 1,522,000 (2004: 2,149,600).

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 2004 except for the adoption of all the new/revised Singapore Financial Reporting Standards ("FRS") that are mandatory for financial years beginning on or after 1 January 2005.

Arising from the adoption of these FRS, comparative numbers have been amended where required, in accordance with the relevant provisions in the respective FRS and the impact of changes in accounting policies is disclosed in item 5 of this announcement.

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*

During the financial year, the Group adopted the following new/revised FRS in the manner elaborated below:

FRS 39 – Financial Instruments: Recognition and Measurement

The adoption of FRS 39 has resulted in the change in the accounting policy on the recognition and measurement of the Group's financial assets and liabilities. Under the revised accounting policy, the financial assets and liabilities are to be initially recognised at fair value, and subsequently measured in the balance sheet at cost, amortised cost or fair value depending on the classifications of these financial instruments.

In accordance with the transitional provision of the reporting standard, FRS 39 is applied prospectively and the comparative figures for 2004 are not restated.

There was no material impact on the current period's financial as a result of the adoption of this reporting standard.

FRS 102 – Share-based payment

The Group adopted FRS 102 “Share-based Payment” on 1 January 2005. The Group’s share options schemes are equity settled, share-based compensation plans. FRS 102 requires the Group to recognise an expense in the profit and loss account with a corresponding increase in the share option reserve for share options granted after 22 November 2002 and not vested as at 1 January 2005.

FRS 102 requires share options to employees to be measured at fair value at the date of the grant and recognized as expense over the vesting period. The application of FRS 102 is retrospective.

Accordingly the financial impact of FRS 102 on the Group’s and Company’s current and comparative financial statements are set out as follows:

| | <u>Increased / (Decreased)</u> | |
|--------------------------------------|---------------------------------------|--------------------|
| | <u>2005</u> | <u>2004</u> |
| | S\$’000 | S\$’000 |
| Net Profit for the financial year | (77) | (94) |
| Revenue Reserve as at 1 January | (113) | (19) |
| Share Option Reserve as at 1 January | 113 | 19 |

The effects of FRS 102 on the group’s basic and diluted earnings per share (“EPS”) are as follows:

| | <u>Increased / (Decreased)</u> | |
|-------------|---------------------------------------|--------------------|
| | <u>2005</u> | <u>2004</u> |
| | Cents | Cents |
| Basic EPS | (0.05) | (0.06) |
| Diluted EPS | (0.05) | (0.04) |

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

| | Financial Year Ended on 31 Dec | |
|---|---------------------------------------|---------------------------|
| | 2005 | 2004 (Restated) |
| Net profit attributable to shareholders (S\$'000) | 2,744 | 9,079 |
| <u>Number of shares (in thousands)</u> | | |
| Shares outstanding at beginning of the period | 173,850 | 141,711 |
| Weighted average number of ordinary shares issued during the year under Executives' Share Option Scheme | 389 | 2,062 |
| Adjustment for 1-for-5 bonus share issue in May 2004 | - | 28,693 |
| Weighted average number of ordinary shares for the calculation of basic earnings per share | 174,239 | 172,466 |
| Effect of dilutive securities: | | |
| Share options | 40 | 1,619 |
| Weighted average number of ordinary shares for the calculation of dilutive earnings per share | 174,279 | 174,085 |
| <u>Earnings per share (cents)</u> | | |
| Basic | 1.57 | 5.26 |
| Diluted | 1.57 | 5.22 |

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 | |
|------------------------------------|--------------|-------------|----------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | Cents | Cents | Cents | Cents |
| Net asset value per ordinary share | 15.06 | 17.27 | 12.46 | 12.59 |

Net assets backing per share as at 31 December 2005 is computed based on 174,288,402 shares (2004: 173,850,402 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***

For the financial year ended on 31 December 2005 ("FY2005"), the Group revenue decreased by 37% to \$32.7 million as compared to \$51.6 million recorded in the last financial year ("FY2004"). The reduction in Group revenue of \$18.9 million was due to the \$10.2 million reduction in turnover from the manufacturing and sale of resistors ("Manufacturing") and \$8.7 million reduction in turnover from distribution of electronic components ("Distribution"). The turnover contribution ratio from Manufacturing to Distribution for FY2005 was 92:8, which varied from 78:22 ratio in FY2004.

The \$10.2 million reduction in Manufacturing turnover was mainly due to a 18% reduction in shipment volume and about 9% erosion in average selling price for resistors. The reduction in shipment volume was mainly due to the \$7.6 million decrease in sales to the Europe market, which had accounted for about 38% of the Manufacturing turnover for FY2005 (FY2004: 48%).

Distribution business is a supporting activity undertaken by the Group and its turnover is largely dependent on the Group's ability to source for third party components that may contribute meaningful profit margins. In FY2005, the Group was unable to continue the supply of a range of memory related components as it could not obtain them at competitive prices; and it is also not viable for the Group to adopt a stocking position to take advantage of quick turn business as the risk of obsolescence is high.

The decrease in gross profit by 50% to \$7.9 million in FY2005 was substantially due to lower turnover and higher cost of sales. The higher cost of sales was attributed to:

- Higher depreciation expenses;
- Lower utilization of manufacturing capacity as a result of reduction in shipment volume;
- Stock provision charge during the financial year whilst there was a reversal of stock provision during FY2004;
- Increase in engineering, evaluation and related expenses in respect of new initiatives undertaken by the Group (which was described in paragraph 1 of the announcement on financial statements for half year ended 30 June 2005, that was made on 11 August 2005).

The selling expenses and general and administrative expenses had also reduced which is in line with the decrease in turnover.

The recognition of deferred tax asset of the Malaysian subsidiary (\$0.3 million) and reversal of over-provision of taxes in respect of prior years (\$0.3 million) resulted in minimal tax expense for FY2005.

As a result, net profit after income tax attributable to the shareholders of the Company amounted to \$2.7 million for FY2005, a 70% decrease from the \$9.1 million reported in FY2004.

Cash Flows

The Group's operations continued to generate positive cash flows of \$7.6 million in FY2005. After the payment for capital expenditure of \$1.3 million and taxes of \$1.2 million as well as dividend payment of \$7.0 million to shareholders, the Group's net cash & cash equivalents stood at \$3.4 million as at 31 December 2005.

Working Capital, Assets or Liabilities

Please refer to comments made in item 1(b)(i) above.

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

With reference to:

1. The “Half Year Financial Statements and Dividend Announcement” that was made on 11 August 2005, the Company commented in paragraph 3, “Current Period Outlook”, that *“Operating conditions are expected to remain challenging in the second half of 2005... Demand growth for surface resistors in markets... is not expected to be significant in third quarter of 2005. Europe and the United States markets are still experiencing relatively soft demand... the Group will monitor its shipment volume expansion geographically cautiously taking into consideration the expected higher depreciation cost and the expanded manufacturing capacity”*; and
2. The “Addendum to the Announcement on Financial Statements for the half year ended 30 June 2005” that was made on 17 August 2005, the Company commented in paragraph 5 that *“in view of the current weak sentiments, the Group is unlikely to experience an increase in utilisation rate for the current quarter”*,

the financial results of the current financial year have been consistent with the commentaries made.

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

Operating conditions are expected to remain challenging in year 2006. Although there are apparent signs of chip resistor demand improving, the sustainability and the strength of such improvements holding throughout year 2006 remain uncertain.

Basing on existing customer’s activities and market sentiments, the Group expects its shipment volume of chip resistors to grow in territories covering South Korea, China and Europe for first half 2006 as compared to the same corresponding period last year. For the United States of America and Singapore, where manufacturing activities remain soft, the Group is working on maintaining its shipment volume in first half 2006 as compared with first half last year.

Baring unforeseen circumstances, the Directors are of the opinion that the Group will remain profitable in first half 2006.

11 Dividend

(a) Dividend Declared (Recommended) For The Current Financial Period Reported On (i.e. for the Financial Year 2005)

The Group's sharp decline in net profits has made it necessary for the Directors to review the Company's dividend policy. Taking into account the possibility of a slow return to the Group's former level of profitability from its existing business, as well as a need to fund any new strategies that may be required in order to restore profitability, the Directors have deemed it prudent to conserve the Group's cash resources and thus will not be recommending any dividends to be declared for the financial year ended 31 December 2005.

(b) Dividend Declared For The Corresponding Period Of The Immediately Preceding Financial Year (i.e. for the Financial Year 2004)

| | | |
|----------------------------|----------------------------|---|
| Name of Dividend | Final | Special |
| Dividend Type | Cash | Cash |
| Dividend Rate | 4 cents per ordinary share | 12.5 cents per ordinary share, less tax |
| Par value of shares | 12 cents | 20 cents |
| Tax Rate | Tax exempt (1-tier) | 20.0% |

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

Not applicable.

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

(a) Segmental Results By Activity

| | Manufacturing | Distribution | Corporate & Others | Consolidated |
|---|----------------------|---------------------|-----------------------------------|---------------------|
| 2005 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Sales of goods / Turnover | 29,958 | 2,732 | - | 32,690 |
| Commission income | - | 6 | - | 6 |
| Revenue | 29,958 | 2,738 | - | 32,696 |
| Profit before foreign exchange, interest and tax ("PBFIT") | 2,671 | 85 | (330) | 2,426 |
| Foreign exchange gain | | | | 315 |
| Interest income | | | | 26 |
| Interest expense | | | | (4) |
| Profit before income tax | | | | 2,763 |
| Income tax | | | | (96) |
| Profit after tax | | | | 2,667 |
| Minority interest | | | | 77 |
| Net profit attributable to shareholders | | | | 2,744 |

| | Manufacturing | Distribution | Corporate & Others | Consolidated |
|---|----------------------|---------------------|-----------------------------------|---------------------|
| 2004, restated | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Sales of goods / Turnover | 40,127 | 11,426 | - | 51,553 |
| Commission income | - | 19 | - | 19 |
| Revenue | 40,127 | 11,445 | - | 51,572 |
| Profit before foreign exchange, interest and tax ("PBFIT") | 9,594 | 253 | (261) | 9,586 |
| Foreign exchange gain | | | | 187 |
| Interest income | | | | 142 |
| Interest expense | | | | (3) |
| Profit before income tax | | | | 9,912 |
| Income tax | | | | (793) |
| Profit after tax | | | | 9,119 |
| Minority interest | | | | (40) |
| Net profit attributable to shareholders | | | | 9,079 |

(b) Sale of Goods By Geographical Area

| | 2005 | | 2004 | | Change |
|-------------------|---------------|-------------|---------------|-------------|---------------|
| | S\$'000 | % of Total | S\$'000 | % of Total | % |
| Singapore | 7,351 | 22% | 7,729 | 15% | -5% |
| Malaysia | 2,820 | 9% | 12,329 | 24% | -77% |
| Korea | 1,573 | 5% | 1,352 | 3% | 16% |
| China / Hong Kong | 4,733 | 14% | 4,793 | 9% | -1% |
| USA | 4,116 | 13% | 5,298 | 10% | -22% |
| Europe | 11,492 | 35% | 19,062 | 37% | -40% |
| Rest of World | 605 | 2% | 990 | 2% | -39% |
| | <u>32,690</u> | <u>100%</u> | <u>51,553</u> | <u>100%</u> | <u>-37%</u> |

Sales of goods by geographical area is based on geographical location of customers billed to.

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

Of the \$9.5 million reduction in sales to Malaysia, 89% of this reduction (\$8.4 million) was contributed by the Distribution activities.

The 40% decrease in sales to Europe was mainly due to lower shipment volume of resistors in FY2005.

Please refer to comments made in item 8 above for further information.

15 A breakdown of revenue as follows:-

| | Financial Year Ended on 31 Dec | | |
|--|---------------------------------------|-------------|---------------|
| | 2005 | 2004 | Change |
| | S\$'000 | S\$'000 | % |
| Revenue reported for first half year | 16,880 | 28,247 | -40% |
| Operating profit after tax before deducting minority interests reported for first half year | 2,012 | 4,786 | -58% |
| Revenue reported for second half year | 15,816 | 23,325 | -32% |
| Operating profit after tax before deducting minority interests reported for second half year | 655 | 4,333 | -85% |

The decline in profitability in the second half of FY2005 as compared to first half of FY2005 was mainly due to:

- Erosion in average selling prices of resistors of about 11%;
- Changes in product, customer and geographical market mix for the Manufacturing activities;
- Lower utilisation rate of manufacturing capacity in second half of FY2005; and
- Higher depreciation expenses, stock provisions and general & administrative expenses recorded in the second half of FY2005.

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:-

| | <u>2005</u> | <u>2004</u> |
|----------|-------------|-------------|
| | S\$'000 | S\$'000 |
| Ordinary | 6,972 | 23,024 |

BY ORDER OF THE BOARD

Ong Beng Hong
Joint Company Secretary

21 February 2006