
Half Year Financial Statements for the Financial Period Ended 30/06/2006

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		
	2006	2005	Change
	S\$'000	S\$'000	%
Revenue	19,514	16,880	15.6
Cost of sales	(15,179)	(12,316)	23.2
Gross profit	4,335	4,564	(5.0)
Other income	-	4	(100.0)
Selling expenses	(1,375)	(1,593)	(13.7)
General and administrative expenses	(1,095)	(1,134)	(3.4)
Profit before foreign exchange differences, interest and tax ("PBFIT")	1,865	1,841	1.3
Foreign exchange (loss) / gain, net	(215)	177	n.m.
Interest income	25	17	47.1
Interest expense	-	(1)	(100.0)
Profit before income tax	1,675	2,034	(17.6)
Income tax	(353)	(22)	n.m.
Profit after income tax	1,322	2,012	(34.3)
Profit after income tax attributable to:			
- Shareholders of the Company	1,355	2,009	(32.6)
- Minority interest	(33)	3	n.m.
	1,322	2,012	(34.3)
Earnings before depreciation, interest, tax and amortisation ("EBDITA")	3,463	3,840	(9.8)

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

	Half Year Ended on 30 June	
	2006	2005
(1) Financial Indicators / Ratios		
Gross profit margin	22.2%	27.0%
EBDITA margin	17.7%	22.7%
Profit before forex, interest and tax margin	9.6%	10.9%
Profit before income tax margin	8.6%	12.0%
Profit after income tax margin	6.9%	11.9%

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

	Half Year Ended on 30 June	
	2006	2005
	S\$'000	S\$'000
Other income including interest income	(25)	(17)
Interest on borrowings	-	1
Depreciation and amortisation	1,813	1,822
Allowance for doubtful debts and bad debts written off	-	17
Allowance for stock obsolescence and shrinkage	1	59
Loss / (Gain) on disposal of property, plant and equipment	7	(4)

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	
	30-Jun-06	31-Dec-05	30-Jun-06	31-Dec-05
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Non-current assets</u>				
Property, plant and equipment	12,603	14,320	-	-
Investment in subsidiary companies	-	-	16,841	16,841
Loans to subsidiary companies	-	-	3,777	3,909
Deferred income tax assets	1,051	1,068	-	-
	13,654	15,388	20,618	20,750
<u>Current assets</u>				
Stocks	7,499	6,791	-	-
Debtors	8,192	7,118	15	15
Tax recoverable	55	84	-	-
Due from subsidiary companies	-	-	1,110	1,434
Cash and cash equivalents	4,943	3,428	67	23
	20,689	17,421	1,192	1,472
<u>Current liabilities</u>				
Creditors	5,168	4,592	294	513
Provision for income tax	528	779	-	-
	5,696	5,371	294	513
Net current assets	14,993	12,050	898	959
<u>Non-current liabilities</u>				
Deferred income tax liabilities	(1,103)	(1,038)	-	-
	(1,103)	(1,038)	-	-
Net assets	27,544	26,400	21,516	21,709
<u>Equity attributable to equity holders of the Company</u>				
Share capital	21,310	20,915	21,310	20,915
Share premium	-	395	-	395
Reserves	6,115	4,932	206	399
	27,425	26,242	21,516	21,709
Minority interest	119	158	-	-
Total equity	27,544	26,400	21,516	21,709

Analysis of balance sheet

1. The decrease in property, plant and equipment by \$1.7 million (or 12%) was mainly due to depreciation expense for the period of \$1.8 million offset by net additions of machinery and equipment of about \$0.1 million.
2. The increase in stocks by \$0.7 million (or 10%) was due to the purchase of raw materials at the end of the financial period under review, to meet its production requirements.
3. The increase in debtors was in line with the increase in turnover.
4. The increase in creditors was in line with the increase in raw materials stocks as mentioned above.
5. The increase in share capital was due to the transfer of share premium reserves, the details are shown in item 1(d)(i) below.

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

	<u>As at 30-Jun-06</u>		<u>As at 31-Dec-05</u>	
	<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
	S\$'000	S\$'000	S\$'000	S\$'000
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**

	Half Year Ended on 30 June	
	2006	2005
	S\$'000	S\$'000
Cash flows from operating activities :		
Profit before income tax	1,675	2,034
Adjustments for:		
Interest income	(25)	(17)
Interest expense	-	1
Depreciation of property, plant and equipment	1,813	1,822
Loss / (Gain) on disposal of property, plant and equipment	7	(4)
Cost of share-based payments	1	-
Net exchange adjustment	(26)	29
Operating income before reinvestment in working capital	3,445	3,865
Increase in stocks	(708)	(516)
(Increase) / decrease in debtors	(1,074)	2,108
Increase / (decrease) in creditors	693	(258)
Cash generated from operations	2,356	5,199
Interest income	25	17
Interest expense	-	(1)
Income taxes paid, net of refund	(510)	(821)
Net cash provided by operating activities	1,871	4,394
Cash flows from investing activities :		
Purchase of property, plant and equipment	(396)	(1,258)
Proceeds from disposal of property, plant and equipment	40	65
Net cash used in investing activities	(356)	(1,193)
Cash flows from financing activities :		
Net proceeds from the issue of ordinary shares	-	130
Dividends paid on ordinary shares	-	(6,972)
Net cash used in financing activities	-	(6,842)
Net increase / (decrease) in cash and cash equivalents	1,515	(3,641)
Cash and cash equivalents at beginning of financial period	3,428	5,021
Cash and cash equivalents at end of financial period	4,943	1,380

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

<u>GROUP</u>	Share	Share	Share	Foreign	Revenue	Total	Minority	Total
	Capital	Premium	Option	Currency	Reserve	Reserve	Interest	Equity
	S\$'000	S\$'000	S\$'000	Translation	S\$'000	S\$'000	S\$'000	S\$'000
		Reserve	Reserve	Reserve				
Balance at 1 January 2005, previously reported	20,862	318	-	(814)	9,657	8,843	231	30,254
Effects of adopting FRS 102	-	-	113	-	(113)	-	-	-
Balance at 1 January 2005, restated	20,862	318	113	(814)	9,544	8,843	231	30,254
Net profit for the period	-	-	-	-	2,009	2,009	3	2,012
Net effect of exchange differences	-	-	-	203	-	203	6	209
Dividend for FY 2004 paid	-	-	-	-	(6,972)	(6,972)	-	(6,972)
Issue of ordinary shares by exercise of executives' share option	53	77	-	-	-	-	-	130
Balance at 30 June 2005	20,915	395	113	(611)	4,581	4,083	240	25,633
Balance at 1 January 2006	20,915	395	190	(574)	5,316	4,932	158	26,400
Net profit for the period	-	-	-	-	1,355	1,355	(33)	1,322
Net effect of exchange differences	-	-	-	(173)	-	(173)	(6)	(179)
Cost of share-based payments	-	-	1	-	-	1	-	1
Transfer of share premium to share capital account	395	(395)	-	-	-	-	-	-
Balance at 30 June 2006	21,310	-	191	(747)	6,671	6,115	119	27,544

<u>COMPANY</u>	Share	Share	Share	Revenue	Total	Total
	Capital	Premium	Option	Reserve	Reserve	Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1 January 2005, previously reported	20,862	318	-	709	709	21,889
Effects of adopting FRS 102	-	-	113	(113)	-	-
Balance at 1 January 2005, restated	20,862	318	113	596	709	21,889
Net profit for the period	-	-	-	7,031	7,031	7,031
Dividend for FY 2004 paid	-	-	-	(6,972)	(6,972)	(6,972)
Issue of ordinary shares by exercise of executives' share option	53	77	-	-	-	130
Balance at 30 June 2005	20,915	395	113	655	768	22,078
Balance at 1 January 2006	20,915	395	190	209	399	21,709
Net loss for the period	-	-	-	(194)	(194)	(194)
Cost of share-based payments	-	-	1	-	1	1
Transfer of share premium to share capital account	395	(395)	-	-	-	-
Balance at 30 June 2006	21,310	-	191	15	206	21,516

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

The Company did not issue any shares during the financial period under review.

As at the end of the half year period ended on 30 June 2006 ("1H2006"), the options granted under the Executive's Share Option Scheme (after adjusting for staff resignation) which have yet to be exercised are 1,072,000 (1H2005: 1,594,000).

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 2005.

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 FRS 21(revised) The Effects of Changes in Foreign Exchange Rates, which is mandatory for annual financial periods beginning on or after 1 January 2006. Under the FRS 21 (revised), exchange differences arising from a monetary item that forms part of the reporting entity's net investment in a foreign operation, which is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation are reclassified to the separate component of equity in the consolidated financial statements. Previously, these exchange differences remain recognised in the profit and loss account.

The adoption of FRS 21 (revised) did not result in any significant impact to the Group.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Half Year Ended on 30 June	
	2006	2005
Net profit attributable to shareholders (S\$'000)	1,355	2,009
<u>Number of shares (in thousands)</u>		
Shares outstanding at beginning of the period	174,288	173,850
Weighted average number of ordinary shares issued during the period under Executives' Share Option Scheme	-	339
Weighted average number of ordinary shares for the calculation of basic earnings per share	174,288	174,189
Effect of dilutive securities:		
Share options	5	486
Weighted average number of ordinary shares for the calculation of dilutive earnings per share	174,293	174,675
<u>Earnings per share (cents)</u>		
Basic	0.78	1.15
Diluted	0.78	1.15

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-06	31-Dec-05	30-Jun-06	31-Dec-05
	Cents	Cents	Cents	Cents
Net asset value per ordinary share	15.74	15.06	12.35	12.46

Net assets backing per share for as at 30 June 2006 is computed based on 174,288,402 shares (2005: 174,288,402 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**

During the financial period ended on 30 June 2006 ("1H2006"), the Group revenue increased by 16% to \$19.5 million as compared to \$16.9 million recorded in the corresponding period of the last financial year ("1H2005"). The turnover contribution ratio of the revenue from the manufacturing and sale of resistors ("**Manufacturing**") to distribution of related electronic components ("**Distribution**") for 1H2006 was maintained at 93:7 (1H2005: 92:8).

	<u>Half Year Ended on 30 June</u>		Change
	<u>2006</u>	<u>2005</u>	
	S\$'000	S\$'000	%
REVENUE			
Turnover / sale of goods			
- Manufacturing activities	18,139	15,599	16%
- Distribution activities	1,362	1,276	7%
	<u>19,501</u>	<u>16,875</u>	
Commission income	13	5	160%
	<u><u>19,514</u></u>	<u><u>16,880</u></u>	16%

The Group's turnover from Manufacturing activities improved mainly due to the increase in shipment volume by 45%, which was substantially due to increased sales volume to China market and recapturing of our market share in Europe market that was lost in the corresponding financial period last year. However, the increase was offset by the continuing erosion in average selling price ("**ASP**") of resistors by 20%.

The turnover from Distribution activities increased by about 7% following the Group's efforts in improving its sales performance in this business segment. However, the Distribution business remains a supporting activity of the Group as 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 was mainly due to erosion in ASP and higher depreciation expenses substantially due to commencement of depreciation of additional machinery in second half of 2005. But this was offset by improvement in cost of goods sold as a result of higher volume of output in 1H2006. However the rate of improvement in cost of goods sold was slower than the rate of decrease in ASP. As such the gross profit decreased by 5% to \$4.3 million in 1H2006 despite the increase in sales volume.

However, the Group had during the financial period reviewed its business strategy and had taken steps to re-align its market and product focus, which saw an improvement in the gross profit performance towards the end of 1H2006.

The selling expenses and general and administrative expenses had reduced by 13.7% and 3.4% respectively, which was a result of its conscientious effort to contain its operating costs.

The foreign exchange loss was mainly due to the weakening of US dollars, especially during the beginning of the financial period when the exchange rates dropped from an average of S\$1.66 to S\$1.59 for every US\$1.00.

The income tax expenses increased because during the last financial period, there was a recognition of deferred tax assets as well as a write back of tax provisions that was made in the past but was no longer required in its subsidiary companies. There were no such reversals in the current financial period.

As a result, the profit after income tax attributable to the shareholders of the Company amounted to \$1.3 million for 1H2006.

The Group continues to generate positive cash flow in the current financial period amounted to S\$1.5 million and the cash balance as at 30 June 2006 amounted to S\$4.9 million.

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 "Full Year Financial Statements for the Financial Year Ended 31 December 2005" that was made on 21 February 2006, the financial results of the current financial period 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

The operating conditions continue to remain challenging in the second half of 2006. Depending on the development of the political stability in the Middle East and the economic condition in the region, the weakening of the US dollars and the imminent rising oil price may add to cost uncertainties.

However, the Group remains cautiously optimistic and continues its conscientious efforts to monitor and review its market and product focus, therefrom implement appropriate strategy to react to the market condition to further improve its financial performance.

Barring any unforeseen circumstances, the Company expects the full year results to remain profitable.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No interim dividend for the financial period ended 30 June 2006 is recommended.

(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 for the financial period ended 30 June 2006 is recommended.

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

1 August 2006