

SGXNET Announcement



AEM Holdings Ltd
(Registration No. 200006417D)

Quarterly Financial Statements and Dividend Announcement For Period Ended 30 September 2008

1. **Financial Statements**
 - 1(a)(i) **Consolidated Income Statement**
 - 1(a)(ii) **Explanatory Notes to Consolidated Income Statement**
 - 1(b)(i) **Balance Sheets**
 - 1(b)(ii) **Group Borrowings and Debt Securities**
 - 1(c) **Consolidated Cash Flow Statement**
 - 1(d)(i) **Statements of Changes in Equity**
 - 1(d)(ii) **Changes in Share Capital**
2. **Statement on Audit**
3. **Auditors' Report**
4. **Accounting Policies**
5. **Changes in Accounting Policies**
6. **Earnings Per Share**
7. **Net Asset Value Per Share**
8. **Group Performance Review**
9. **Prospect vs Actual Results**
10. **Prospect - Business Outlook**
11. **Dividends**
12. **Statement on Dividends**
13. **Confirmation by the Board**

1. Financial Statements

1(a)(i). Consolidated Income Statement

	Note	Quarterly results			YTD Results		
		3Q2008 \$'000	3Q2007 \$'000	Change %	9M2008 \$'000	9M2007 \$'000	Change %
Revenue	A.1	39,468	49,601	-20%	128,017	139,916	-9%
Other Income	A.2	269	311	-14%	943	1,293	-27%
Total Income		39,737	49,912	-20%	128,960	141,209	-9%
Changes in inventories of finished goods and work-in-progress		(4,049)	5,347	-176%	(7,969)	10,065	-179%
Raw materials and other consumables		(18,994)	(31,240)	-39%	(68,475)	(83,687)	-18%
Staff costs		(9,248)	(10,685)	-13%	(29,719)	(30,371)	-2%
Depreciation of Property, Plant and Equipment		(2,912)	(3,161)	-8%	(8,704)	(9,573)	-9%
Amortisation of intangible assets		(187)	(160)	17%	(608)	(370)	64%
Other expenses	A.2	(5,971)	(7,341)	-19%	(29,076)	(22,228)	31%
Total costs and expenses (excl finance costs and income tax)		(41,361)	(47,240)	-12%	(144,551)	(136,164)	6%
(Loss)/Profit from operations		(1,624)	2,672	-161%	(15,591)	5,045	-409%
Finance costs	A.3	(362)	(544)	-33%	(1,587)	(1,916)	-17%
(Loss)/Profit before taxation		(1,986)	2,128	-193%	(17,178)	3,129	-649%
Income Tax Expense	A.4	(55)	71	-177%	(35)	6	-683%
Net (loss)/profit attributable to shareholders		(2,041)	2,199	-193%	(17,213)	3,135	-649%

1(a)(ii). Explanatory Notes to Consolidated Income Statement

A.1 Revenue

Group revenue for 3Q2008 closed at S\$39.5 million, which represented a 20% decrease from 3Q2007 mainly due to lower global equipment demands. The Group achieved a 5% increase in sales as compared to 2Q2008. This increase was contributed mainly by the Substrates and System Packaging ("SSP") Division.

The Group's revenue for 9M2008 was S\$128.0 million as compared with S\$139.9 million in 9M2007. The overall 9% decrease in revenue was attributable to lower revenue from the SSP Division and the Precision and System Integration ("PSI") Division of S\$7.6 million and S\$3.8 million respectively. Revenue from the Group's Materials and Services ("MNS") Division saw a marginal year-on-year decrease.

A.2 Other Income/Expenses

Other income/expenses comprised mainly rental income, interest income, foreign exchange gain/loss, government grant, manufacturing overheads, R&D centre overheads, selling and distribution costs and general and administrative expenses incurred in the ordinary course of business as well as assets write-off and impairment provisions.

The following income/(expense) items had been included in arriving at (loss)/profit from operations:

	Quarterly results			YTD Results			Note
	3Q2008 \$'000	3Q2007 \$'000	Change %	9M2008 \$'000	9M2007 \$'000	Change %	
Government Grant income under/(over) accrued	-	(9)	-100%	94	(57)	-265%	
Interest income	2	(43)	-106%	9	69	-87%	
Rental income	178	173	3%	504	490	3%	
Allowance (made)/reversed for doubtful debts (net)	19	-	NM	(1,512)	(211)	616%	(1)
Bad debts written off	-	-	NM	(177)	(11)	1509%	(1)
Allowance (made)/reversed for inventory obsolescence	256	262	-2%	(3,438)	206	NM	(2)
Inventories written off	(21)	-	NM	(4,103)	-	NM	(2)
Intangible assets, property, plant and equipment written off	(39)	-	NM	(54)	(73)	-26%	
Impairment of property, plant and equipment, net	-	-	NM	(184)	-	NM	
Gain on disposal of property, plant and equipment	2	138	-98%	22	159	-86%	
Exchange loss (net)	(81)	(123)	-34%	(640)	(106)	504%	(3)
Research and development costs ("R&D") *	(1,153)	(1,710)	-33%	(3,938)	(4,511)	-13%	
Negative goodwill on acquisition of subsidiary	-	-	NM	-	184	-100%	

* Research and development costs comprise of R&D staff costs, materials and R&D centre overheads and depreciation of R&D facilities.

NM: Not meaningful

1(a)(ii). Explanatory Notes to Consolidated Income Statement (Cont'd)

A.2 Other Income/Expenses (Continued)

- (1) The bad/doubtful debts recorded in 9M2008 arose mainly from disputes arising from SSP Division's product quality-related issues as well as provision made for customers with financial difficulties from PSI Division and MNS Division. These customers with financial difficulties are not the Group's key customers.
- (2) The allowance for inventories obsolescence and inventories written off recognised in 9M2008 were mainly for SSP Division's and PSI Division's slow-moving/obsolete stocks.
- (3) The exchange loss in 9M2008 was largely attributable to revaluation loss on working capital as a result of the weakening of USD against SGD.

A.3 Finance Costs

The decrease in finance costs was mainly due to a fall in interest rates.

A.4 Income Tax Expense

Tax expense is calculated based on the statutory tax rates of various countries taking into account expenses that are not deductible for tax purposes and income not subject to tax. The Group's substrates business operations in Tuas and the manufacturing operations in Penang were granted tax-exempt pioneer status.

1(b)(i). Balance Sheets

	Note	Group		Company	
		30-Sep-08 S\$'000	31-Dec-07 S\$'000	30-Sep-08 S\$'000	31-Dec-07 S\$'000
Non-current assets					
Property, plant and equipment		57,056	65,387	325	642
Intangible assets		1,170	1,802	150	304
Subsidiaries		-	-	45,657	45,657
		58,226	67,189	46,132	46,603
Current assets					
Inventories	B.1	24,593	41,312	-	-
Trade and other receivables	B.1	51,137	60,328	14,491	12,756
Other financial assets		1	1	-	-
Non-financial assets		-	53	-	53
Cash and bank balances		11,128	8,885	378	469
		86,859	110,579	14,869	13,278
Total assets		145,085	177,768	61,001	59,881
Equity					
Share capital	1(d)(i)	38,537	38,537	38,537	38,537
Other reserves	1(d)(i)	(10,717)	(8,906)	-	-
Accumulated profits	1(d)(i)	36,155	53,368	14,376	14,128
Total equity	1(d)(i)	63,975	82,999	52,913	52,665
Non-current liabilities					
Interest-bearing liabilities	1(b)(ii)	19,484	20,504	-	146
Deferred tax liabilities		190	195	87	87
		19,674	20,699	87	233
Current liabilities					
Trade and other payables	B.2	35,951	51,562	7,897	6,373
Interest-bearing liabilities	1(b)(ii)	23,620	19,547	11	306
Current tax payable		1,475	2,356	93	304
Provisions		390	605	-	-
		61,436	74,070	8,001	6,983
Total liabilities		81,110	94,769	8,088	7,216
Total equity and liabilities		145,085	177,768	61,001	59,881

B.1 Excluding the impairment provisions/write-offs of S\$7.5 million relating to inventories and S\$1.7 million for trade debts, the decrease in current assets is largely in line with lower revenue in 3Q2008 compared to 4Q2007.

B.2 The decrease in trade and other payables largely arose from settlement of committed capital expenditure and liabilities that were due in 1Q2008.

1(b)(ii). Group Borrowings and Debt Securities

	30-Sep-08 S\$'000	31-Dec-07 S\$'000
Amount repayable in one year or less, or on demand		
- Secured bank loans	1,152	1,611
- Unsecured bank loans	20,258	16,179
- Finance lease liabilities	302	461
- Bank overdraft	1,284	1,296
- Secured banker acceptance	624	-
	23,620	19,547
Amount repayable after one year		
- Secured bank loans	711	1,641
- Unsecured bank loans	18,178	18,699
- Finance lease liabilities	595	164
	19,484	20,504
Total	43,104	40,051

The secured borrowings as at 30 September 2008 and 31 December 2007 comprised of term loans, bank overdrafts and finance leases which are generally secured by:

- Fixed charge over land and building of a subsidiary in the Group
- Fixed and floating charge over future assets of a subsidiary in the Group
- Plant and equipment
- Corporate guarantee from AEM Holdings Ltd

1(c). Consolidated Cash Flow Statement

	Note	3Q2008 S\$'000	3Q2007 S\$'000	9M2008 S\$'000	9M2007 S\$'000
Operating activities					
Profit from ordinary activities before taxation		(1,986)	2,128	(17,178)	3,129
Adjustments for:					
Depreciation and amortisation		3,099	3,321	9,312	9,943
Gain on disposal of property, plant and equipment		(2)	(138)	(22)	(159)
Property, plant and equipment and intangible asset written off		39	-	54	73
Impairment of property, plant and equipment		-	-	184	-
Allowance (reversed) / made for inventories obsolescence/ inventories written off		(235)	(262)	7,541	(206)
Allowance (reversed) / made for doubtful debts and bad debts written off		(19)	-	1,689	222
Negative goodwill on acquisition of subsidiary		-	-	-	(184)
Interest income		(2)	43	(9)	(69)
Interest expense		362	544	1,587	1,916
Provisions made / (reversed)		33	(114)	(212)	(21)
Benefits-in-kind paid to a former CEO in accordance with employment contract		-	-	315	-
Operating profit before working capital changes		1,289	5,522	3,261	14,644
Changes in working capital:					
Inventories		4,284	(4,522)	7,997	(8,370)
Trade and other receivables		(2,831)	(1,952)	4,678	(2,797)
Trade and other payables		(733)	3,429	(12,231)	1,137
Cash generated from operations		2,009	2,477	3,705	4,614
Government grant received		-	-	1,672	1,022
Income taxes (paid) / received		86	(283)	(857)	(1,176)
Cash flows from operating activities		2,095	2,194	4,520	4,460
Investing activities					
Acquisition of subsidiary (Qualitek), net of cash acquired		-	-	-	(5,967)
Interest received		2	(43)	9	69
Purchase of property, plant and equipment	C.1	(150)	(2,202)	(4,484)	(9,129)
Proceeds from sale of property, plant and equipment		23	366	95	2,048
Purchase of intangible assets		(6)	(97)	(28)	(464)
Cash flows from investing activities		(131)	(1,976)	(4,408)	(13,443)

1(c). Consolidated Cash Flow Statement (Cont'd)

	Note	3Q2008 S\$'000	3Q2007 S\$'000	9M2008 S\$'000	9M2007 S\$'000
Financing activities					
Interest paid		(362)	(544)	(1,587)	(1,916)
Proceeds from / repayment of bank loans/finance lease liabilities (net)		1,160	(1,998)	3,965	9,940
Proceeds from issue of shares under share option scheme		-	-	-	1
Dividends paid		-	-	-	(4,214)
Fixed deposits pledged to bank		-	7	-	2,087
Cash flows from financing activities		798	(2,535)	2,378	5,898
Net increase / (decrease) in cash and cash equivalents		2,762	(2,317)	2,490	(3,085)
Cash and cash equivalents at beginning of period		6,310	12,572	6,820	13,217
Effect of exchange rate changes on balances held in foreign currencies		20	(152)	(218)	(29)
Cash and cash equivalents at end of period	C.2	9,092	10,103	9,092	10,103

Explanatory Notes on Cash Flow Statement

- C.1 The purchase of property, plant and equipment in 9M2008 comprised mainly equipment for use in the PSI and MNS Divisions as well as upgrading of Qualitek's manufacturing facilities in Malacca. The capital expenditure incurred in 9M2007 was largely for SSP Division's capacity expansion and set up of R&D facilities as well as for upgrade of Qualitek's manufacturing facilities.
- C.2 Cash and cash equivalents comprise of the following:

	3Q2008 S\$'000	3Q2007 S\$'000	9M2008 S\$'000	9M2007 S\$'000
Cash at banks and in hand	10,376	10,103	10,376	10,103
Fixed deposits with banks	752	510	752	510
Cash and cash equivalents (in the balance sheets)	11,128	10,613	11,128	10,613
Bank Overdraft	(1,284)	-	(1,284)	-
Fixed deposits pledged as security for bank facilities	(752)	(510)	(752)	(510)
Cash and cash equivalents (in the consolidated statement of cashflows)	9,092	10,103	9,092	10,103

1(d)(i). Statements of Changes in Equity

	Share Capital S\$'000	Capital Reserve S\$'000	Currency Translation Reserve S\$'000	Merger Reserve S\$'000	Retained Earnings S\$'000	Total Equity S\$'000
Group						
As at 1 Jan 2008	38,537	214	(9,259)	139	53,368	82,999
Exchange differences arising on translation of financial statements of foreign subsidiaries	-	-	(2,608)*	-	-	(2,608)
Net loss recognised directly in equity	-	-	(2,608)	-	-	(2,608)
Net loss for the period	-	-	-	-	(582)	(582)
Total recognised income and expense for the period	-	-	(2,608)	-	(582)	(3,190)
As at 31 Mar 2008	38,537	214	(11,867)	139	52,786	79,809
Exchange differences arising on translation of financial statements of foreign subsidiaries	-	-	(1,269)*	-	-	(1,269)
Net loss recognised directly in equity	-	-	(1,269)	-	-	(1,269)
Net loss for the period	-	-	-	-	(14,590)	(14,590)
Total recognised income and expense for the period	-	-	(1,269)	-	(14,590)	(15,859)
As at 30 Jun 2008	38,537	214	(13,136)	139	38,196	63,950
Exchange differences arising on translation of financial statements of foreign subsidiaries	-	-	2,066*	-	-	2,066
Net gain recognised directly in equity	-	-	2,066	-	-	2,066
Net loss for the period	-	-	-	-	(2,041)	(2,041)
Total recognised income and expense for the period	-	-	2,066	-	(2,041)	25
As at 30 Sept 2008	38,537	214	(11,070)	139	36,155	63,975

* The net loss reported during the nine months ended 30 September 2008 arose mainly from the translation of USD-denominated subsidiaries.

1(d)(i). Statements of Changes in Equity (Cont'd)

	Share Capital S\$'000	Capital Reserve S\$'000	Currency Translation Reserve S\$'000	Merger Reserve S\$'000	Retained Earnings S\$'000	Total Equity S\$'000
Group						
As at 1 Jan 2007	38,536	214	(5,161)	139	60,603	94,331
Exchange differences arising on translation of financial statements of foreign subsidiaries	-	-	(258)	-	-	(258)
Net loss recognised directly in equity	-	-	(258)	-	-	(258)
Net profit for the period	-	-	-	-	390	390
Total recognised income and expense for the period	-	-	(258)	-	390	132
Issue of shares under share option Scheme	1	-	-	-	-	1
As at 31 Mar 2007	38,537	214	(5,419)	139	60,993	94,464
Exchange differences arising on translation of financial statements of foreign subsidiaries	-	-	998	-	-	998
Net gain recognised directly in equity	-	-	998	-	-	998
Net profit for the period	-	-	-	-	546	546
Total recognised income and expense for the period	-	-	998	-	546	1,544
Final dividend paid of 1 cent per share - tax exempt, in respect of 2006	-	-	-	-	(4,214)	(4,214)
As at 30 Jun 2007	38,537	214	(4,421)	139	57,325	91,794
Exchange differences arising on translation of financial statements of foreign subsidiaries	-	-	(1,476)	-	-	(1,476)
Net loss recognised directly in equity	-	-	(1,476)	-	-	(1,476)
Net profit for the period	-	-	-	-	2,199	2,199
Total recognised income and expense for the period	-	-	(1,476)	-	2,199	723
As at 30 Sept 2007	38,537	214	(5,897)	139	59,524	92,517

1(d)(i). Statements of Changes in Equity (Cont'd)

	Share Capital S\$'000	Retained Earnings S\$'000	Total Equity S\$'000
Company			
As at 1 Jan 2008	38,537	14,128	52,665
Net profit for the period	-	37	37
Total recognised income and expense for the period	-	37	37
As at 31 Mar 2008	38,537	14,165	52,702
Net profit for the period	-	191	191
Total recognised income and expense for the period	-	191	191
As at 30 Jun 2008	38,537	14,356	52,893
Net profit for the period	-	20	20
Total recognised income and expense for the period	-	20	20
As at 30 Sept 2008	38,537	14,376	52,913
As at 1 Jan 2007	38,536	13,921	52,457
Net profit for the period	-	606	606
Total recognised income and expense for the period	-	606	606
Issue of shares under share option scheme	1	-	1
As at 31 Mar 2007	38,537	14,527	53,064
Net loss for the period	-	(3,492)	(3,492)
Total recognised income and expense for the period	-	(3,492)	(3,492)
Final dividend paid of 1 cent per share - tax exempt, in respect of 2006	-	(4,214)	(4,214)
As at 30 June 2007	38,537	6,821	45,358
Net profit for the period	-	1,450	1,450
Total recognised income and expense for the period	-	1,450	1,450
As at 30 Sept 2007	38,537	8,271	46,808

1(d)(ii). Changes in Share Capital

	30 Sept 2008		31 Dec 2007	
	No. of shares	S\$'000	No of shares	S\$'000
Issued and fully paid				
At 1 January	421,426,760	38,537	421,416,760	38,536
Issue of shares on exercise of share Options	-	-	10,000	1
At 30 Sept / 31 Dec	421,426,760	38,537	421,426,760	38,537

Date of grant of options	Exercise price	Options outstanding at 1/1/2008	Options granted	Options exercised	Options cancelled/ lapsed	Options outstanding at 30/09/2008	Exercise Period
16/10/2002	\$0.130	18,000	-	-	10,000	8,000	16/10/2003 to 15/10/2012
16/10/2002	\$0.104	32,000	-	-	10,000	22,000	16/10/2004 to 15/10/2012
28/11/2003	\$0.240	3,298,000	-	-	1,034,000	2,264,000	28/11/2004 to 27/11/2013
28/11/2003	\$0.200	60,000	-	-	45,000	15,000	28/11/2005 to 27/11/2013
		3,408,000	-	-	1,099,000	2,309,000	

Treasury Shares

The company did not hold any treasury shares as at 30 September 2008 (31 December 2007: nil).

There was no sale, transfer, cancellation or use of treasury shares during the nine months ended 30 September 2008.

2. Statement on Audit

Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed.

3. Auditors' Report

Where the figures have been audited or reviewed, the auditors' report [including any qualifications or emphasis of a matter]

Not applicable.

4. Accounting Policies

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 financial statements for the current reporting period as compared with those of the audited financial statements as at 31 December 2007.

5. Changes in Accounting Policies

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.

None except as stated in paragraph 4.

6. Earnings Per Share

Earnings per ordinary share for the period based on net profit attributable to shareholders after deducting any provision for preference dividends:-

	Group		Group	
	3Q2008	3Q2007	9M2008	9M2007
(i) Based on weighted average number of ordinary shares in issue	-0.48 cents	0.52 cents	-4.08 cents	0.74 cents
(ii) On a fully diluted basis	-0.48 cents	0.52 cents	-4.08 cents	0.74 cents

(i) Earnings per ordinary share is computed based on the weighted average number of shares in issue during the period of 421,426,760 (3Q2007: 421,423,427).

(ii) Earnings per ordinary share on a fully diluted basis is computed based on the weighted average number of shares adjusted for the effect of all dilutive potential ordinary shares of 421,426,760 (3Q2007: 421,532,301) arising from the exercise of share options.

7. Net Asset Value Per Share

	Group		Company	
	30 Sep 2008	31 Dec 2007	30 Sep 2008	31 Dec 2007
Net asset value per share	15.2 cents	19.7 cents	12.6 cents	12.5 cents

Net asset value per share is calculated based on the existing issued share capital of 421,426,760 ordinary shares as at 30 September 2008 (31 December 2007: 421,426,760 shares). The decrease in net asset value was mainly due to the net loss incurred for nine months ended 30 September 2008.

8. Group Performance Review

	Quarterly Results			YTD Results		
	3Q2008	3Q2007	Change	9M2008	9M2007	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	39,468	49,601	-20%	128,017	139,916	-9%
Segmental results before R&D costs:						
SSP - excluding Qualitek	1,180	1,640	-28%	1,393	7,607	-82%
SSP - Qualitek	(1,483)	(1,581)	-6%	(6,240)	(2,489)	151%
SSP Division	(303)	59	-614%	(4,847)	5,118	-195%
PSI Division	(1,411)	3,756	-138%	1,359	2,607	-48%
MNS Division	1,028	305	237%	1,303	1,920	-32%
Operating (loss) / profit before R&D costs & impairment losses	(686)	4,120	-117%	(2,185)	9,645	-123%
R&D - SSP Division	(671)	(932)	-28%	(2,119)	(2,654)	-20%
R&D - PSI Division	(482)	(778)	-38%	(1,819)	(1,857)	-2%
Total R&D costs	(1,153)	(1,710)	-33%	(3,938)	(4,511)	-13%
Allowances (made)/reversed for / Write-off of bad and doubtful debts	19	-	NM	(1,689)	(222)	661%
Allowances (made)/reversed for / Write-off of obsolete inventories	235	262	-10%	(7,541)	206	-3761%
Impairment / Write-off of intangible assets, property, plant & equipment	(39)	-	NM	(238)	(73)	226%
Total impairment losses	215	262	-18%	(9,468)	(89)	10538%
(Loss)/Profit from operations (EBIT)	(1,624)	2,672	-161%	(15,591)	5,045	-409%
Finance costs	(362)	(544)	-33%	(1,587)	(1,916)	-17%
Net (loss)/profit before tax	(1,986)	2,128	-193%	(17,178)	3,129	-649%
Taxation - Current year	173	(301)	-157%	(35)	(462)	-92%
Taxation - Prior years	(228)	372	-161%	-	468	-100%
Tax (expense) / credit	(55)	71	-177%	(35)	6	-683%
Net (loss)/profit attributable to shareholders	(2,041)	2,199	193%	(17,213)	3,135	-649%

8. Group Performance Review (Cont'd)

Overview

Group revenue for 3Q2008 closed at S\$39.5 million, which represented a 20% decrease from 3Q2007 mainly due to lower global equipment demands. The Group achieved a 5% increase in sales as compared to 2Q2008. This increase was contributed mainly by the SSP Division.

The Group reported a net loss of S\$2.0 million in 3Q2008 as compared to a profit of S\$2.2 million in 3Q2007 and a loss of S\$14.6 million in 2Q2008. In 3Q2008, efforts were stepped up to drive down manufacturing and operating costs through efficiency and yield improvements as well as organisational streamlining. As at 30 Sep 2008, the Group's staff headcount was reduced by about 25% from last financial year-end. Results from measures taken in executing the turnaround plan helped reduce the net operating loss excluding impairment/provisions by 55% from S\$4.9 million in 2Q2008 to S\$2.2 million in 3Q2008.

The Group's revenue for 9M2008 was S\$128.0 million as compared with S\$139.9 million in 9M2007, a decrease of S\$11.9 million or 9% year-on-year. The decrease in revenue was mainly due to lower revenue from the SSP Division (S\$7.6 million) and Precision and System Integration ("PSI") Division (S\$3.8 million) as a result of the global slowdown in consumer demands and price reduction pressures. Revenue from the Group's Materials and Services ("MNS") Division was fairly stable.

In 9M2008, the Group reported a net loss of S\$17.2 million as compared to a profit of S\$3.1 million in 9M2007. The bulk of the S\$17.2 million loss incurred comprised S\$9.7 million impairment losses recorded in 2Q2008 for slow-moving/obsolete stocks as well as bad/doubtful debts. Net loss excluding impairment/provisions was S\$7.7 million in 9M2008.

The Group as at 30 September 2008 had net assets of S\$64.0 million and a net debt-to-equity ratio of 0.50. Despite net losses reported in current financial period, operating cash flows for 3Q2008 and 9M2008 remained positive at S\$2.1 million and S\$4.5 million respectively. Investing cash outflow was S\$4.4 million in 9M2008. Cash and cash equivalents at the end of 30 September 2008 stood at S\$9.1 million.

Segmental Analysis

Business Segments	Quarterly Results			YTD Results		
	3Q2008	3Q2007	Change	9M2008	9M2007	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue						
SSP - Excluding Qualitek	19,859	20,478	-3%	58,130	62,296	-7%
SSP - Qualitek	2,923	3,723	-21%	9,245	12,695	-27%
SSP Division	22,782	24,201	-6%	67,375	74,991	-10%
PSI Division	9,567	18,167	-47%	39,218	43,002	-9%
MNS Division	7,119	7,233	-2%	21,424	21,923	-2%
Total Revenue	39,468	49,601	-20%	128,017	139,916	-9%

Business Segments	Quarterly Results			YTD Results		
	3Q2008	3Q2007	Change	9M2008	9M2007	Change
	\$'000	\$'000	%	\$'000	\$'000	%
EBIT						
SSP - Excluding Qualitek	492	707	-30%	(4,983)	4,883	-202%
SSP - Qualitek	(1,510)	(1,326)	14%	(6,955)	(2,234)	211%
SSP Division	(1,018)	(619)	64%	(11,938)	2,649	-551%
PSI Division	(1,627)	2,986	-154%	(4,105)	650	-732%
MNS Division	1,021	305	235%	452	1,746	-74%
Total EBIT	(1,624)	2,672	-161%	(15,591)	5,045	-409%

8. Group Performance Review (Cont'd)

Substrates and System Packaging (SSP)

SSP Division was the Group's largest revenue contributor, accounting for 57.7% and 52.6% of the Group's revenue in 3Q2008 and 9M2008 respectively. The Division recorded year-on-year reduction in revenue of 6% in 3Q2008 and 10% in 9M2008. Overall decrease was attributable to lower demand for substrates from major European customers. SSP Division's revenue in 3Q2008 posted a 14% increase from 2Q2008.

SSP Division – excluding Qualitek

SSP Division, excluding Qualitek, posted a profit of S\$0.5 million in 3Q2008 as compared to S\$0.7 million recorded in 3Q2007. Excluding R&D cost and asset impairment, its operating profit of S\$1.2 million in 3Q2008 was a turnaround from S\$0.7 million loss in 2Q2008 on the back of higher revenue and stringent cost reduction measures.

The Division suffered a loss of S\$5.0 million in 9M2008 as compared to a profit of S\$4.9 million in 9M2007. Included in the S\$5.0 million loss in 9M2008 was R&D cost of S\$2.1 million (9M2007: S\$2.7 million) and asset impairment of S\$4.2 million (9M2007: S\$0.1 million). The asset impairment of S\$4.2 million mainly related to allowance for/write-off of slow-moving and obsolete stocks as well as bad/doubtful debts recognised in 2Q2008. At the operating level, year-on-year profit margin was adversely affected by stiff competition and price pressures amidst weakened USD and higher material costs. Lower yield as a result of change in product mix as the Division ramped up sales to customers in Taiwan/China also contributed to the lower profitability. Excluding R&D cost and asset impairment, profit for 9M2008 was S\$1.4 million (9M2007: S\$7.6 million).

SSP Division - Qualitek

Qualitek's revenue was S\$2.9 million in 3Q2008 and S\$9.2 million in 9M2008. The operating loss in 3Q2008 was S\$1.5 million which was 38% lower than the operating loss of S\$2.4 million reported in 2Q2008. Actions taken to improve operating yield and manufacturing efficiency contributed mainly to the results improvement. The loss reported for 9M2008 was S\$7.0 million, including S\$0.7 million of impairment loss.

Precision and System Integration (PSI)

The Group's PSI Division revenue was S\$9.6 million in 3Q2008 and S\$39.2 million in 9M2008. These represented a 47% year-on-year decrease for 3Q and a 9% year-on-year decrease for 9M. The decrease was mainly due to lower equipment sales arising from a slow down in customer's capital spending which was experienced since 2Q2008.

With declining sales since 2Q2008, the Division reported a second consecutive quarter of loss in 3Q2008. PSI Division's loss was S\$1.6 million in 3Q2008 as compared to a profit of S\$3.0 million in 3Q2007 and a loss of S\$4.7 million in 2Q2008. In 9M2008, excluding asset impairment of S\$3.6 million (9M2007: S\$0.1 million) and R&D costs, the Division posted an operating profit of S\$1.4 million as compared to an operating profit of S\$2.6 million in 9M2007. The operating profit in 9M2008 was largely contributed by high equipment sales realised in 1Q2008.

Materials and Services (MNS)

Revenue from MNS Division remained fairly stable at S\$7.1 million in 3Q2008 and S\$21.4 million in 9M2008, posting a marginal 2% year-on-year decrease for both 3Q and 9M.

The Division posted a profit of S\$1.0 million in 3Q2008, which included a foreign exchange gain of S\$0.3 million. (3Q2007: Profit S\$0.3 million, net of foreign exchange loss of S\$0.3 million). It recorded a profit of S\$0.4 million in 9M2008 as compared to a profit of S\$1.7 million in 9M2007. Included in the profit for 9M2008 was impairment loss of S\$0.9 million (9M2007: S\$0.2 million). Excluding the impairment loss, the Division achieved an operating profit of S\$1.3 million in 9M2008 despite rising material costs and price reduction pressures.

9. Prospect vs Actual Results

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

No prospect statement has been given previously.

10. Business Outlook

Commentary of significant trends and competitive conditions of the industry and any known factors or events that may affect the group

With the onset of economic recession triggered by the global financial turmoil and weakened consumer demands, the Group expects the weak industry outlook to continue into 4Q2008.

Improvements in operating results from measures taken in executing the Group's turnaround plan were partially realised in 3Q2008. Continuous efforts will be focused on executing the plan to turn around the 4Q2008 operating results.

11. Dividends

No interim dividend for the period ended 30 September 2008 is recommended.

12. Statement on Dividends

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

Not applicable.

13. Confirmation by the Board Pursuant to Rule 705(4) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Group and the company (comprising the balance sheet, consolidated income statement, statement of changes in equity and consolidated cash flows statement, together with their accompanying notes) for the nine months ended 30 September 2008, to be false or misleading in any material respect.

BY ORDER OF THE BOARD

David Goh
Chief Executive Officer
7 November 2008