



**SERIAL SYSTEM LTD**  
新暉科技有限公司

Company Reg No.: 199202071D

**Half-Year Financial Statement Announcement for the Period Ended 30 June 2006**

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

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

	Note	The Group		
		30/06/2006 S\$'000	30/06/2005 S\$'000	
Sales		192,329	126,695	52%
Cost of sales		(173,635)	(112,065)	55%
<b>Gross profit</b>		<b>18,694</b>	<b>14,630</b>	<b>28%</b>
Other income:				
Other operating income	1	2,456	1,972	25%
Exceptional income	2	2,000	-	NM
<b>Total other income</b>		<b>4,456</b>	<b>1,972</b>	<b>126%</b>
Expenses:				
Distribution	3	(10,081)	(8,805)	14%
Administrative		(2,416)	(2,600)	-7%
Finance	4	(1,550)	(1,116)	39%
Other		(6,571)	(7,311)	-10%
<b>Total expenses</b>		<b>(20,618)</b>	<b>(19,832)</b>	<b>4%</b>
		<b>2,532</b>	<b>(3,230)</b>	<b>178%</b>
Share of results of associated companies (after income tax)		1,384	869	59%
<b>Profit/ (loss) before income tax</b>	5	<b>3,916</b>	<b>(2,361)</b>	<b>266%</b>
Income tax expense		(177)	(221)	-20%
<b>Profit/ (loss) after income tax</b>		<b>3,739</b>	<b>(2,582)</b>	<b>245%</b>
<b>Attributable to:</b>				
Equity holders of the Company		3,349	(2,792)	220%
Minority interests		390	210	86%
		<b>3,739</b>	<b>(2,582)</b>	<b>245%</b>

## Notes to Income Statement

### 1. Other operating income

Other operating income increased by S\$0.5 million or 25% as compared to the previous corresponding period. The increase is mainly due to higher sales commissions and service income earned by subsidiaries in South Korea.

### 2. Exceptional income

An exceptional income of S\$2.0 million was recorded in 1H2006. This income arises from an out-of-court settlement amount received by the Company for a legal suit against Philips Singapore Pte Ltd and Philips Electronics Pte Ltd.

### 3. Distribution costs

Distribution costs increased by about S\$1.3 million or 14% as compared to the previous corresponding period. This is mainly due to operating and expansion costs contributed by a Taiwan subsidiary, which commenced operation in the first quarter of 2005 and costs contribution by a Korean R&D subsidiary which commenced commercial operation for its products in 1H2006.

### 4. Finance costs

Finance costs increased by about S\$0.4 million or 39% as compared to the previous corresponding period. This is mainly due to increase in borrowings and higher interest rates in 1H2006 as compared with the same period last year.

### 5. Profit/ (loss) before income tax

	The Group		
	30/06/2006	30/06/2005	
	S\$'000	S\$'000	%
Profit/ (loss) from operations is arrived at after charging/(crediting) :-			
a.Depreciation and amortisation	910	1,098	-17
b.Impairment loss on goodwill arising from acquisition of subsidiaries	571	674	-15
c.Loss/(gain) on disposal of plant and equipment	18	(1)	-1,900
d.Plant and equipment written off	-	86	-100
e.Allowance for doubtful debts (trade)	309	167	85
f.Bad debts (trade) written off	-	67	-100
g.Inventories written down to net realisable values	1,323	1,038	27
h.Loss on dilution of interests in an associated company	174	-	NM
i.Loss on closure of subsidiaries (net)	188	-	NM
j. Foreign exchange loss/ (gain)	374	(11)	-3,500
k.Gain on disposal of financial assets at fair value through profit or loss	(60)	(13)	362
l. Fair value (gain)/ loss for financial assets at fair value through profit or loss	(1)	72	101
m. Impairment loss on property	47	-	NM
n. Interest income	(51)	(95)	-46

*NM – Not Meaningful*

**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.**

	The Group		The Company	
	30/06/2006	31/12/2005	30/06/2006	31/12/2005
	S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6,998	14,510	(66)	7,537
Trade and other receivables	64,777	62,800	18,680	11,653
Inventories	43,046	49,801	-	-
Financial assets at fair value through profit or loss	108	577	-	-
Other current assets	1,200	868	29	15
	<b>116,129</b>	<b>128,556</b>	<b>18,643</b>	<b>19,205</b>
<b>Non-current assets</b>				
Loans and receivables	-	260	42,911	42,073
Available-for-sale financial assets	1,463	879	-	-
Investment in associated companies <sup>1</sup>	40,721	38,136	18,751	18,751
Investment in subsidiaries	-	-	21,683	21,683
Property, plant and equipment	16,381	17,141	2,707	2,970
Intangible assets	8,549	9,506	27	414
Other assets	1,497	1,517	-	-
Deferred income tax assets	556	458	-	-
	<b>69,166</b>	<b>67,897</b>	<b>86,079</b>	<b>85,891</b>
<b>Total Assets</b>	<b>185,295</b>	<b>196,453</b>	<b>104,722</b>	<b>105,096</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	46,523	53,729	4,483	8,108
Current income tax liabilities	777	746	378	397
Borrowings <sup>2</sup>	30,975	34,649	10,770	11,080
	<b>78,275</b>	<b>89,124</b>	<b>15,631</b>	<b>19,585</b>
<b>Non-current liabilities</b>				
Borrowings <sup>2</sup>	17,426	19,940	14,708	16,481
Provision for severance benefits	768	571	-	-
Deferred income tax liabilities	1,039	1,041	1,014	1,014
	<b>19,233</b>	<b>21,552</b>	<b>15,722</b>	<b>17,495</b>
<b>Total Liabilities</b>	<b>97,508</b>	<b>110,676</b>	<b>31,353</b>	<b>37,080</b>
<b>Net Assets</b>	<b>87,787</b>	<b>85,777</b>	<b>73,369</b>	<b>68,016</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
Share capital <sup>3</sup>	86,456	36,466	86,456	36,466
Share premium <sup>3</sup>	-	49,990	-	49,990
Capital reserve	3,290	3,290	3,290	3,290
Fair value reserve	350	(253)	-	-
Share option reserve	111	111	111	111
Currency translation reserve	(171)	(197)	-	-
Accumulated losses	(4,573)	(7,922)	(16,488)	(21,841)
	<b>85,463</b>	<b>81,485</b>	<b>73,369</b>	<b>68,016</b>
<b>Minority interests</b>	<b>2,324</b>	<b>4,292</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>87,787</b>	<b>85,777</b>	<b>73,369</b>	<b>68,016</b>

## Notes to the Balance Sheet

<sup>1</sup>Included in the Group and the Company's investment in associated companies is a 21.02% (31 Dec 2005: 20.22%) interest in an associated company, Wintech Microelectronics Co., Ltd ("Wintech"), amounting to S\$37,563,000 (31 Dec 2005: S\$34,869,000) and S\$18,751,000 (31 Dec 2005: S\$18,751,000) respectively. In June 2006, the management has made the decision to dispose of interest in Wintech. An extraordinary general meeting of the Company to seek shareholders' approval for a disposal mandate will be held on 18 August 2006.

<sup>2</sup>Borrowings (in Current and Non-Current Liabilities) include a Transferable Loan Facility amounting to S\$18,964,000 (31/12/2005: S\$20,688,000).

<sup>3</sup>In accordance with the Companies (Amendment) Act 2005 which came into force on 30 January 2006, an amount of S\$49,990,200 in the Company's share premium account became part of the Company's share capital during the period ended 30 June 2006.

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

#### Details of any collateral

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

As at 30 June 2006		As at 31 December 2005	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
S\$'000	S\$'000	S\$'000	S\$'000
1,576	29,399	1,602	33,047

##### Amount repayable after one year

As at 30 June 2006		As at 31 December 2005	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
S\$'000	S\$'000	S\$'000	S\$'000
2,762	14,664	3,552	16,388

- a) The Transferable Loan Facility of S\$18,964,000 (31/12/2005: S\$20,688,000) is secured by joint and several corporate guarantees from certain subsidiaries in the Group. There is a negative pledge over all the assets of the Company and its subsidiaries (except for the legal mortgage over the leasehold land and building at 8 Ubi View, Singapore).
- b) Bank borrowing of S\$3,880,000 (31/12/2005: S\$4,544,000) taken by a subsidiary to finance the purchase and construction of the leasehold land and building at 8 Ubi View, Singapore ("Property") is secured by the following:
  - a first legal mortgage of the Property;
  - an assignment of all rights and benefits relating to the Property;
  - an assignment of all rights, title interest and benefits in tenancy agreements, if any, relating to the Property;
  - an assignment of all rights and benefits under any insurance policies taken in relation to the Property;
  - a continuing corporate guarantee amounting to S\$6,650,000 by the Company; and
  - a deed of subordination for all monies owing by the subsidiary to the Company.
- c) Bank borrowing of S\$258,000 (31/12/2005: S\$310,000) are secured on the freehold land and building of a subsidiary.
- d) The finance lease liabilities of S\$200,000 (31/12/2005: S\$300,000) are secured on the Group's motor vehicles acquired under finance lease agreements.

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

	30/06/2006	30/06/2005
	S\$'000	S\$'000
<b>Cash flows from operating activities</b>		
Profit / (loss) before income tax and share of results of associated companies	2,532	(3,230)
Adjustments for:		
Amortisation of development expenditure and computer software license and development costs	206	341
Depreciation of property, plant and equipment	724	777
Impairment losses on goodwill arising from acquisition of subsidiaries	571	674
Impairment loss on property	47	-
Amortisation of government incentive grants	(20)	(20)
Plant and equipment written off	-	86
Loss / (gain) on disposal of plant and equipment	18	(1)
Gain on disposal of financial assets at fair value through profit or loss	(60)	(13)
Loss on dilution of interests in an associated company	174	-
Loss on closure of subsidiaries (net)	188	-
Fair value (gain) / loss for financial assets at fair value through profit or loss	(1)	72
Interest income	(51)	(95)
Interest expense	1,550	1,116
Operating cash flow before working capital changes	5,878	(293)
Change in operating assets and liabilities, net of effects from acquisition / disposal of subsidiaries		
Trade and other receivables	(4,328)	(4,351)
Inventories	6,755	(3,410)
Other current assets	(327)	(576)
Loans and receivables	260	-
Other non-current assets	17	(19)
Trade and other payables	(7,215)	3,253
Currency translation adjustments	(1,159)	1,388
Cash used in operations	(119)	(4,008)
Income tax paid	(121)	(538)
<b>Net cash outflow from operating activities</b>	<b>(240)</b>	<b>(4,546)</b>
<b>Cash flows from investing activities</b>		
Refund / (payments) for intangible assets (computer software license and development costs)	200	(55)
Development expenditure	-	(497)
Payments for plant and equipment	(173)	(246)
Proceeds from disposal of plant and equipment	81	16
Proceeds from disposal of financial assets at fair value through profit or loss	530	83
Payment for acquisition of additional interest in an associated company	(491)	-
Refund / (payments) for available-for-sale financial assets	4	(41)
Payments for financial assets at fair value through profit or loss	-	(1,081)
Payment of balance outstanding for acquisition of a subsidiary in preceding year	-	(1,228)
Interest received	51	95
Capital contribution by a minority shareholder in a newly incorporated subsidiary	-	200
<b>Net cash inflow / (outflow) from investing activities</b>	<b>202</b>	<b>(2,754)</b>

**Cash flows from financing activities**

Proceeds from issue of ordinary shares	-	15
Proceeds from issue of warrants (net of warrants issue expenses)	-	2,982
Dividends paid	-	(608)
Proceeds from bank borrowings	<b>22,313</b>	4,284
Proceeds from transferable loan facility	-	25,000
Payment of interest costs and expenses relating to the transferable loan facility	-	(3,130)
Repayment of bank borrowings	<b>(26,446)</b>	(13,974)
Repayment of transferable loan facility	<b>(2,150)</b>	-
Lease liabilities	<b>(96)</b>	(124)
Interest paid	<b>(1,095)</b>	(776)
<b>Net cash (outflow) / inflow from financing activities</b>	<b>(7,474)</b>	13,669
<b>Net (decrease) / increase in cash and cash equivalents held</b>	<b>(7,512)</b>	6,369
Cash and cash equivalents at the beginning of the financial period	<b>14,510</b>	8,162
<b>Cash and cash equivalents at the end of the financial period</b>	<b>6,998</b>	14,531

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								Minority interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Share premium S\$'000	Capital reserve S\$'000	Fair value reserve S\$'000	Share option reserve S\$'000	Currency translation reserve S\$'000	Accumulated losses S\$'000	Total S\$'000		
<b>Balance at 1 January 2006</b>	<b>36,466</b>	<b>49,990</b>	<b>3,290</b>	<b>(253)</b>	<b>111</b>	<b>(197)</b>	<b>(7,922)</b>	<b>81,485</b>	<b>4,292</b>	<b>85,777</b>
Fair value gains on available-for-sale financial assets	-	-	-	603	-	-	-	603	-	603
Currency translation differences	-	-	-	-	-	(94)	-	(94)	4	(90)
Net profit for the period	-	-	-	-	-	-	3,349	3,349	390	3,739
<b>Total recognised (losses) / gains for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>603</b>	<b>-</b>	<b>(94)</b>	<b>3,349</b>	<b>3,858</b>	<b>394</b>	<b>4,252</b>
Transfer of share premium account to share capital	49,990	(49,990)	-	-	-	-	-	-	-	-
Dividend paid to minority shareholder	-	-	-	-	-	-	-	-	(79)	(79)
Closure of subsidiaries	-	-	-	-	-	120	-	120	(2,283)	(2,163)
<b>Balance at 30 June 2006</b>	<b>86,456</b>	<b>-</b>	<b>3,290</b>	<b>350</b>	<b>111</b>	<b>(171)</b>	<b>(4,573)</b>	<b>85,463</b>	<b>2,324</b>	<b>87,787</b>

## Consolidated Statement of Changes in Equity [cont'd]

	Attributable to equity holders of the Company								Minority interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Share premium S\$'000	Capital reserve S\$'000	Fair value reserve S\$'000	Share option reserve S\$'000	Currency translation reserve S\$'000	Accumulated losses S\$'000	Total S\$'000		
<b>Balance at 1 January 2005</b>										
- As previously reported	30,378	49,105	308	-	-	(2,963)	(1,404)	75,424	3,948	79,372
- Effect of changes in accounting policies	-	-	-	214	-	-	-	214	-	214
- As restated	30,378	49,105	308	214	-	(2,963)	(1,404)	75,638	3,948	79,586
Fair value losses on available-for-sale financial assets	-	-	-	(193)	-	-	-	(193)	-	(193)
Currency translation differences	-	-	-	-	-	399	-	399	92	491
Currency translation released to income statement	-	-	-	-	-	441	-	441	-	441
Net loss for the period	-	-	-	-	-	-	(2,792)	(2,792)	210	(2,582)
<b>Total recognised (losses) / gains for the period</b>	-	-	-	(193)	-	840	(2,792)	(2,145)	302	(1,843)
Final dividend for year 2004	-	-	-	-	-	-	(608)	(608)	-	(608)
Exercise of share options under the Serial System Executives Share Option Scheme	10	4	-	-	-	-	-	14	-	14
Issue of warrants	-	-	2,982	-	-	-	-	2,982	-	2,982
Exercise of warrants	-	1	-	-	-	-	-	1	-	1
Capital contribution by a minority shareholder	-	-	-	-	-	-	-	-	200	200
<b>Balance at 30 June 2005</b>	<b>30,388</b>	<b>49,110</b>	<b>3,290</b>	<b>21</b>	<b>-</b>	<b>(2,123)</b>	<b>(4,804)</b>	<b>75,882</b>	<b>4,450</b>	<b>80,332</b>

## Statement of Changes in Equity - Company

	Share capital S\$'000	Share premium S\$'000	Capital reserve S\$'000	Share option reserve S\$'000	(Accumulated losses) / Retained earning S\$'000	Total equity S\$'000
<b>Balance at 1 January 2006</b>	36,466	49,990	3,290	111	(21,841)	68,016
Transfer of share premium account to share capital	49,990	(49,990)	-	-	-	-
Exercise of warrants	-	-	-	-	-	-
Net profit for the period	-	-	-	-	5,353	5,353
<b>Balance at 30 June 2006</b>	<b>86,456</b>	<b>-</b>	<b>3,290</b>	<b>111</b>	<b>(16,488)</b>	<b>73,369</b>
<b>Balance at 1 January 2005</b>	30,378	49,105	308	-	772	80,563
Final dividend for year 2004	-	-	-	-	(608)	(608)
Exercise of share options under the Serial System Executives Share Option Scheme	10	4	-	-	-	14
Issue of warrants	-	-	2,982	-	-	2,982
Exercise of warrants	-	1	-	-	-	1
Net loss for the period	-	-	-	-	(9,647)	(9,647)
<b>Balance at 30 June 2005</b>	<b>30,388</b>	<b>49,110</b>	<b>3,290</b>	<b>-</b>	<b>(9,483)</b>	<b>73,305</b>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as 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.**

Since the end of the previous financial year ended 31 December 2005, the Company issued 1,000 new ordinary shares upon the exercise of 1,000 warrants.

In accordance with the Companies (Amendment) Act 2005 which came into force on 30 January 2006, an amount of S\$49,990,200 in the Company's share premium account became part of the Company's share capital during the period ended 30 June 2006.

As at 30 June 2006, there were 14,356,000 (31/12/2005: 15,141,000) outstanding share options pursuant to the terms of the Serial System Executives Share Option Scheme and 75,961,547 (31/12/2005: 75,962,547) warrants.

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

The figures in the Half-Year Financial Statement have not been audited nor reviewed.

- 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 adopted the same accounting policies and methods of computation in the financial statements for the current reporting period as in the most recently audited financial statements for the financial year ended 31 December 2005 as well as all the applicable Financial Reporting Standards ("FRS") which became effective for the financial year beginning on or after 1 January 2006.

- 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 adoption of the new/revised FRS does not have a material financial impact on the Group and the Company.

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.

	The Group	
	30/06/2006	30/06/2005
Based on the weighted average number of ordinary shares in issue; and	<b>0.92 cents</b>	(0.92) cents
On a fully diluted basis	<b>0.91 cents</b>	(0.92) cents

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.

	The Group		The Company	
	30/06/2006	31/12/2005	30/06/2006	31/12/2005
Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on	<b>24.07 cents</b>	23.52 cents	<b>20.12 cents</b>	18.65 cents

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.

**(a) Group's Turnover (S\$'million)**

Business segments	30/06/2006	30/06/2005	Increase/ (Decrease)	% Change
Semiconductors/ Components Distribution	192.1	125.8	66.3	53
Other Businesses	0.2	0.9	(0.7)	(78)
Total	192.3	126.7	65.6	52

For the six months ended 30 June 2006 (1H2006), the Group recorded a turnover of about S\$192.3 million, an increase of 52% as compared with about S\$126.7 million in the previous corresponding period (1H2005).

Turnover for the semiconductors/ components distribution business was S\$192.1 million for 1H2006, an increase of 53% when compared against 1H2005. North Asia, comprising Greater China, South Korea and Taiwan posted a 59% growth in turnover when compared with the figure for 1H2005. Continued high demand from existing customers, increased customers' base, new products' range and new market bases contributed to the growth. Turnover from North Asia now accounts for more than 80% of the Group's total.

South East Asia, however, registered a 13% decline in turnover when compared with that for 1H2005. This was largely the result of the Group's focus on higher margin sales (which contributed to lower sales volume) and the loss of some customers which purchased from the suppliers directly.

**(b) Group's Net Profit/ (Loss) After Income Tax (S\$'million)**

<b>Business segments</b>	<b>30/06/2006</b>	<b>30/06/2005</b>	<b>Increase/ (Decrease)</b>	<b>% Change</b>
Semiconductors/ Components Distribution	1.0	(2.9)	3.9	134
Investment in associated companies (Semiconductors/ Components Distribution)	1.2	0.9	0.3	33
Other Businesses	1.1	(0.8)	1.9	238
Total	3.3	(2.8)	6.1	218

For 1H2006, the Group posted a net profit of about S\$3.3 million as compared to a net loss of about S\$2.8 million for 1H2005.

The semiconductors/components distribution business posted a net profit of S\$1.0 million in 1H2006 as compared to a net loss of S\$2.9 million in 1H2005. The turnaround in 1H2006 was mainly due to the higher gross profit achieved as a result of stronger sales recorded in North Asia. Gross profit margin, however, registered a decline by about 2% to 10%. The decline in gross profit margin reflects the continued competitive situation in the markets and countries where the Group operates. The Group continued with its conscientious efforts in reducing operating costs and improving cost efficiency and effectiveness. As a result, total expenses as a percentage of sales declined from about 16% in 1H2005 to about 11% in 1H2006.

The Group's share of profit in its 21.02% (30 June 2005: 20.73%) associated company, Wintech Microelectronics Co., Ltd (Taiwan) (Wintech) increased from S\$0.9 million in 1H2005 to S\$1.8 million in 1H2006. The increase in Wintech's profit was due to higher turnover and the corresponding higher gross profit achieved by Wintech and lower fair value losses on investments, and lower inventory provision in 1H2006 when compared to 1H2005. In June 2006, the management has made the decision to dispose of interest in Wintech. An extraordinary general meeting of the Company to seek shareholders' approval for a disposal mandate will be held on 18 August 2006. Accordingly, the Group did not equity account for its share in Wintech's profit of the sum of S\$0.5 million for the month of June 2006.

The Group, on 16 January 2006, acquired a further 3% interest in NEX Display Technology Co, Ltd ("NEX"), a South Korean company involved in the development, manufacturing and sales of thin film transistor LCD panel modules. Following the acquisition, the Group's interest in NEX increased to 24.43%. NEX contributed a net loss of S\$0.6 million in 1H2006 mainly due to lower orders from a major customer.

During 1H2006, the Company received S\$2.0 million from Philips Singapore Pte Ltd and Philips Electronics Pte Ltd as a result of an out-of-court settlement for a legal suit. The Company suffered an unrealised exchange loss of S\$ 0.6 million and a loss of S\$ 0.2 million as a consequence of the closure of subsidiaries. These, together, resulted in "Other Businesses" posting a profit of S\$1.1 million in 1H2006.

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

No forecast, or prospect statement has been previously issued in respect of the current reporting period.

**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.**

North Asia, which contributed to about 83% of the Group's turnover for 1H2006, will continue to provide growth opportunities to the Group. Given the region's significance to the Group's revenue growth and profitability, more resources will be channeled to further strengthen the Group's presence in North Asia.

The Group's performance will continue to be influenced by the demand for a broad range of applications in semiconductors and consumer electronics. More intense competition and rising costs, especially in North Asia, will have an impact on both the revenue and profitability in the next review period.

**11. Dividend**

**a) Current Financial Period Reported On**

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 dividend has been declared/ recommended for the period ended 30 June 2006.

**BY ORDER OF THE BOARD**

Dr. Derek Goh Bak Heng  
Executive Chairman/ Group CEO  
10/08/2006