



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 2007

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		
		30/06/2007	30/06/2006	
		S\$'000	S\$'000	
Sales		217,912	192,329	13%
Cost of sales		(199,300)	(173,635)	15%
Gross profit		18,612	18,694	-0.4%
Other income:				
Other operating income	1	10,063	2,456	310%
Exceptional income	2	-	2,000	NM
Total other income		10,063	4,456	126%
Expenses:				
Distribution	3	(11,437)	(10,081)	13%
Administrative		(2,646)	(2,416)	10%
Finance	4	(1,209)	(1,550)	-22%
Other	5	(8,844)	(6,571)	35%
Total expenses		(24,136)	(20,618)	17%
		4,539	2,532	79%
Share of results of associated companies (after income tax)		(309)	1,384	-122%
Profit before income tax	6	4,230	3,916	8%
Income tax expense		(306)	(177)	73%
Profit after income tax		3,924	3,739	5%
Attributable to:				
Equity holders of the Company		4,016	3,349	20%
Minority interests		(92)	390	-124%
		3,924	3,739	5%

Notes to Income Statement

1. Other operating income

For the period ended 30 June 2007 ('1H2007'), the Group disposed its entire interest of about 10.7% in Wintech Microelectronics Co., Ltd ('Wintech'). The gain on sale of this disposal was about S\$7.1 million. Fair value gain on investment properties during 1H2007 was about S\$0.4 million and commission income was about S\$2.0 million.

2. Exceptional income

For the period ended 30 June 2006 ('1H2006'), the Group received an exceptional income of S\$2.0 million. This income arose from an out-of-court settlement amount received by the Group for a legal suit against Philips Singapore Pte Ltd and Philips Electronics Pte Ltd. No 'Exceptional Income' was received in 1H2007.

3. Distribution costs

The Group's continued focus on business growth in Greater China resulted in higher expansion costs incurred by a Hong Kong subsidiary. This, together with higher commission expenses, contributed to an increase of 13% in distribution expenses.

4. Finance costs

Finance costs decreased by about S\$0.3 million or 22% as compared to 1H2006. This is mainly due to decline in average borrowings in 1H2007 as compared with 1H2006.

5. Other operating expenses

Other operating expenses increased by about S\$2.3 million or 35% as compared to 1H2006. The increase is mainly due to higher provision for trade receivables.

6. Profit before income tax

	The Group		
	30/06/2007	30/06/2006	%
	S\$'000	S\$'000	
Profit from operations is arrived at after charging/(crediting) :-			
a. Depreciation and amortization	696	910	-24
b. Impairment losses on goodwill arising from acquisition of subsidiaries	584	571	2
c. Loss on disposal of plant and equipment	-	18	NM
d. Plant and equipment written off	21	-	NM
e. Impairment losses on trade receivables	3,459	309	1,019
f. Inventories written down to net realisable values	1,570	1,323	19
g. Loss on dilution of interests in an associated company	-	174	NM
h. Gain on disposal of partial interests in a subsidiary	(17)	-	NM
i. Loss on closure of subsidiaries (net)	-	188	NM
j. Currency translation loss (net)	99	374	-74
k. Gain on sale of financial asset, available-for-sale	(7,084)	-	NM
l. Gain on sale of financial assets at fair value through profit or loss	(50)	(60)	-17
m. Fair value gain for financial assets at fair value through profit or loss	(107)	(1)	10,600
n. Fair value (gain)/ impairment loss on investment properties	(389)	47	928
o. Interest income	(124)	(51)	143

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	
	30/06/2007	31/12/2006	30/06/2007	31/12/2006
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	21,863	12,906	7,127	5,587
Trade and other receivables ¹	78,306	60,623	15,699	9,907
Inventories	57,665	59,442	-	-
Financial assets at fair value through profit or loss	817	924	-	-
Other current assets	833	639	29	22
	159,484	134,534	22,855	15,516
Non-current assets				
Loans and receivables	-	-	71,472	64,055
Financial assets, available-for-sale ²	222	25,058	-	24,835
Investment in associated companies ³	3,249	-	3,559	-
Investment in subsidiaries	-	-	17,149	17,149
Property, plant and equipment ⁴	7,588	15,443	592	2,402
Investment properties ⁴	8,578	-	1,750	-
Intangible assets	8,452	7,940	146	3
Other assets	1,710	1,531	-	-
Deferred income tax assets	428	428	-	-
	30,227	50,400	94,668	108,444
Total Assets	189,711	184,934	117,523	123,960
LIABILITIES				
Current liabilities				
Trade and other payables ⁵	63,129	52,800	3,010	3,132
Current income tax liabilities	730	1,009	378	378
Borrowings ⁶	33,078	32,278	4,323	10,509
	96,937	86,087	7,711	14,019
Non-current liabilities				
Borrowings ⁶	12,889	15,010	11,198	12,969
Provision for severance benefits	751	655	-	-
Deferred income tax liabilities	136	10	20	-
	13,776	15,675	11,218	12,969
Total Liabilities	110,713	101,762	18,929	26,988
Net Assets	78,998	83,172	98,594	96,972
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	65,200	64,615	65,200	64,615
Capital reserve	3,248	3,290	3,248	3,290
Fair value reserve ⁷	-	5,078	-	14,818
Share option reserve	121	121	121	121
Currency translation reserve	(1,137)	(817)	-	-
Retained earnings	10,056	8,944	30,025	14,128
	77,488	81,231	98,594	96,972
Minority interests	1,510	1,941	-	-
Total Equity	78,998	83,172	98,594	96,972

Notes to the Balance Sheet

1. The Group's 'Trade and Other Receivables' increased by S\$17.7 million when compared with the figure as at 31 December 2006. The increase is mainly due to higher sales by the Group's Hong Kong, Singapore and Korean subsidiaries as a result of increased in customers' base. A newly acquired subsidiary, Hu & Power Tech Co., Ltd also contributed to the increase in trade receivables in 1H2007.
2. The Group's 'Financial Assets, Available-For-Sale' decreased by S\$24.8 million when compared with the figure as at 31 December 2006. This is the result of sale of entire interest of about 10.7% in Wintech Microelectronics Co., Ltd during 1H2007.
3. On 20 March 2007, the Group acquired a 36.2% interest in Bull Will Co., Ltd ('Bullwill') for a cash consideration of S\$3.6 million. Bullwill is listed on the Over-The-Counter Securities Exchange in Taiwan and its principal business is the distribution of electronics components with its main concentration of business on semiconductors and passive components. The Group's share of loss in Bullwill amounted to about S\$0.3 million for 1H2007.
4. An amount of S\$7.9 million and S\$1.7 million for the Group and the Company respectively, were reclassified from 'Property, Plant and Equipment' to 'Investment Properties' in accordance to FRS40, which came into force as at 1 January 2007. The Company's and the Group's investment properties were valued at fair value subsequently and an amount of S\$0.1 million and S\$0.4 million respectively were taken to 'Fair Value Gain on Investment Properties' in the income statement in 1H2007.
5. The Group's 'Trade and Other Payables' increased by S\$10.3 million when compared to 31 December 2006. The increase is mainly due to overall higher purchases in line with higher sales in 1H2007 when compared to 1H2006.
6. Borrowings (in Current and Non-Current Liabilities) include a Transferable Loan Facility amounting to S\$15.5 million (31/12/2006: S\$17.2 million).
7. Following the full disposal of interest in Wintech during 1H2007, the Group's and Company's 'Fair Value Reserve' of S\$5.1 million and S\$14.8 million respectively as at 31 December 2006, were realised to 'Gain on Sale of Financial Asset, Available-For-Sale' in the income statement in 1H2007.

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 2007		As at 31 December 2006	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
S\$'000	S\$'000	S\$'000	S\$'000
2,663	30,415	1,460	30,818

Amount repayable after one year

As at 30 June 2007		As at 31 December 2006	
<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
S\$'000	S\$'000	S\$'000	S\$'000
1,371	11,518	1,968	13,042

- a) The Transferable Loan Facility of S\$15,478,000 (31/12/2006: S\$17,240,000) is obtained with the joint and several guarantees of certain subsidiaries of 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, Serial System Building, Singapore).
- b) Bank borrowing of S\$2,549,000 (31/12/2006: S\$3,214,000) taken by a subsidiary to finance the purchase and construction of the leasehold land and building at 8 Ubi View, Serial System Building, 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, relating to the Property;
 - an assignment of all rights and benefits under an insurance policy 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\$510,000 (31/12/2006: Nil) taken by a subsidiary of the Group, is secured on a long-term bank deposit pledged as security with the bank.
- d) Bank borrowings of S\$849,000 (31/12/2006: Nil) taken by a newly acquired subsidiary, Hu & Power Tech Co., Ltd are secured on the land and building of the subsidiary and long-term bank deposits pledged as security with the bank.
- e) Finance lease liabilities of S\$126,000 (31/12/2006: S\$214,000) 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.

	30/06/2007	30/06/2006
	S\$'000	S\$'000
Cash flows from operating activities		
Total profit	3,924	3,739
Adjustments for:		
Income tax expense	306	177
Amortisation of development expenditure and computer software license and development costs	72	206
Depreciation of property, plant and equipment	644	724
Impairment losses on goodwill arising from acquisition of subsidiaries	584	571
Fair value (gain) / impairment loss on investment properties	(389)	47
Amortisation of government incentive grants	(20)	(20)
Plant and equipment written off	21	-
Loss on disposal of plant and equipment	-	18
Loss on closure of subsidiaries (net)	-	188
Gain on sale of financial assets at fair value through profit or loss	(50)	(60)
Loss on dilution of interests in an associated company	-	174
Gain on disposal of partial interests in a subsidiary	(17)	-
Gain on sale of financial asset, available-for-sale	(7,084)	-
Fair value gain for financial assets at fair value through profit or loss	(107)	(1)
Provision for severance benefits	267	-
Currency translation adjustments	(1,195)	(1,159)
Interest income	(124)	(51)
Interest expense	1,209	1,550
Share of results of associated companies	309	(1,384)
Operating cash flow before working capital changes	(1,650)	4,719
Change in operating assets and liabilities, net of effects from acquisition / disposal of subsidiaries		
Trade and other receivables	(16,114)	(4,328)
Inventories	3,127	6,755
Other current assets	(142)	(327)
Loans and receivables	-	260
Other non-current assets	(160)	17
Trade and other payables	8,927	(7,215)
Cash used in operations	(6,012)	(119)
Income tax paid	(522)	(121)
Net cash outflow from operating activities	(6,534)	(240)

Cash flows from investing activities

(Payments) / refund for intangible assets (computer software license and development costs)	(323)	200
Payments for plant and equipment	(422)	(173)
Proceeds from disposal of plant and equipment	-	81
Proceeds from disposal of partial interests in a subsidiary	165	-
Proceeds from sale of financial asset, available-for-sale	27,654	-
Proceeds from sale of financial asset at fair value through profit or loss	547	530
Acquisition of additional interests in a subsidiary from minority shareholder	(687)	-
Payment for acquisition of a subsidiary, net of cash acquired	(401)	-
Payment for acquisition of interest in an associated company	(3,559)	(491)
Payments for financial assets at fair value through profit or loss	(283)	-
Refund for financial asset, available-for-sale	-	4
Interest received	124	51
Net cash inflow from investing activities	22,815	202

Cash flows from financing activities

Proceeds from issue of ordinary shares	544	-
Dividends paid	(3,098)	-
Proceeds from bank borrowings	36,072	22,313
Repayment of bank borrowings	(37,759)	(26,446)
Repayment of Transferable Loan Facility	(2,150)	(2,150)
Lease liabilities	(89)	(96)
Interest paid	(844)	(1,095)
Net cash outflow from financing activities	(7,324)	(7,474)

Net increase / (decrease) in cash and cash equivalents held	8,957	(7,512)
Cash and cash equivalents at the beginning of the period	12,906	14,510
Cash and cash equivalents at the end of the period	21,863	6,998

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.

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company								
	Share capital S\$'000	Capital reserve S\$'000	Fair value reserve S\$'000	Share option reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	Total S\$'000	Minority interests S\$'000	Total S\$'000
Balance at 1 January 2007									
- As previously reported	64,615	3,290	5,078	121	(817)	8,944	81,231	1,941	83,172
- Effect of changes in accounting policies Adoption of FRS 40	-	-	-	-	-	194	194	-	194
- As restated	64,615	3,290	5,078	121	(817)	9,138	81,425	1,941	83,366
Financial assets, available-for-sale									
- Transfer on disposal	-	-	(5,078)	-	-	-	(5,078)	-	(5,078)
Currency translation differences	-	-	-	-	(301)	-	(301)	(40)	(341)
Disposal of partial interests in a subsidiary	-	-	-	-	4	-	4	88	92
Net (losses)/gains recognised directly in equity	-	-	(5,078)	-	(297)	-	(5,375)	48	(5,327)
Net profit for the period	-	-	-	-	-	4,016	4,016	(92)	3,924
Total recognised (losses) / gains for the period	-	-	(5,078)	-	(297)	4,016	(1,359)	(44)	(1,403)
Final dividend for year 2006	-	-	-	-	-	(3,098)	(3,098)	-	(3,098)
Serial System Executives Share Option Scheme									
- Exercise of share options	417	-	-	-	-	-	417	-	417
Exercise of warrants	168	(42)	-	-	-	-	126	-	126
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	(560)	(560)
Acquisition of a subsidiary	-	-	-	-	(30)	-	(30)	281	251
Dividend paid to a minority shareholder	-	-	-	-	7	-	7	(108)	(101)
Balance at 30 June 2007	65,200	3,248	-	121	(1,137)	10,056	77,488	1,510	78,998

Consolidated Statement of Changes in Equity [cont'd]
Attributable to equity holders of the Company

	Attributable to equity holders of the Company								Minority interests S\$'000	Total 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		
Balance at 1 January 2006	36,466	49,990	3,290	(253)	111	(197)	(7,922)	81,485	4,292	85,777
Financial assets, available-for-sale										
- Fair value gains	-	-	-	603	-	-	-	603	-	603
Closure of subsidiaries	-	-	-	-	-	120	-	120	(2,283)	(2,163)
Currency translation differences	-	-	-	-	-	(94)	-	(94)	4	(90)
Net gains/(losses) recognised directly in equity	-	-	-	603	-	26	-	629	(2,279)	(1,650)
Net profit for the period	-	-	-	-	-	-	3,349	3,349	390	3,739
Total recognised gains / (losses)										
for the period	-	-	-	603	-	26	3,349	3,978	(1,889)	2,089
Transfer of share premium account to share capital	49,990	(49,990)	-	-	-	-	-	-	-	-
Dividend paid to a minority shareholder	-	-	-	-	-	-	-	-	(79)	(79)
Balance at 30 June 2006	86,456	-	3,290	350	111	(171)	(4,573)	85,463	2,324	87,787

Statement of Changes in Equity - Company

	Share capital S\$'000	Share premium S\$'000	Capital reserve S\$'000	Fair value reserve S\$'000	Share option reserve S\$'000	Retained earnings / (Accumulated losses) S\$'000	Total equity S\$'000
Balance at 1 January 2007	64,615	-	3,290	14,818	121	14,128	96,972
Final dividend for year 2006	-	-	-	-	-	(3,098)	(3,098)
Financial assets, available-for-sale - Transfer on disposal	-	-	-	(14,818)	-	-	(14,818)
Serial System Executives Share Option Scheme - Exercise of share options	417	-	-	-	-	-	417
Exercise of warrants	168	-	(42)	-	-	-	126
Net profit for the period	-	-	-	-	-	18,995	18,995
Balance at 30 June 2007	65,200	-	3,248	-	121	30,025	98,594
Balance at 1 January 2006	36,466	49,990	3,290	-	111	(21,841)	68,016
Transfer of share premium account to share capital	49,990	(49,990)	-	-	-	-	-
Net profit for the period	-	-	-	-	-	5,353	5,353
Balance at 30 June 2006	86,456	-	3,290	-	111	(16,488)	73,369

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 2006, the following ordinary shares were issued by the Company:-

- | | |
|---|---------------------------|
| 1. Exercise of share options under the Serial System Executives Share Option Scheme | 2,410,000 ordinary shares |
| 2. Exercise of warrants | 1,058,621 ordinary shares |

As at 30 June 2007, there were 11,216,000 (31/12/2006: 13,656,000) outstanding share options under the Serial System Executives Share Option Scheme and 74,902,926 (31/12/2006: 75,961,547) warrants.

1(e) Negative assurance confirmation on interim financial results pursuant to Rule 705(4) of the listing Manual

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited Half Year Financial Statements for the period ended 30 June 2007 to be false or misleading.

On behalf of the Board of Directors

Derek Goh Bak Heng
Executive Chairman & Group CEO

Chin Yeow Hon
Executive Director

Singapore
10 August 2007

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 2006 as well as all the applicable Financial Reporting Standards ('FRS') which became effective for the financial year beginning on or after 1 January 2007.

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.

In 2007, the Company adopted the new FRS 40 that was effective from 1 January 2007. The adoption of the new FRS has resulted in the following impact on the Group:

FRS40: Investment Property and FRS 12: Income Taxes

The FRS40 has been applied prospectively and the effects of adoption of FRS40 and the change in the accounting for deferred tax liability on surplus arising from revaluation of investment properties on the balance sheet of the Group as at 1 January 2007 are as follows:-

	<u>Increase/(decrease)</u>
	\$'000
<u>Consolidated balance sheet at 1 January 2007</u>	
Investment properties	8,190
Property, plant and equipment	(7,947)
Retained earnings	194
Deferred income tax liabilities	49

The effects of adoption of FRS40 on the Group's financial statement for the period ended 30 June 2007 are as follows:-

	<u>Increase</u>
	\$'000
<u>Consolidated financial statement</u>	
<u>for the period ended 30 June 2007</u>	
Investment properties	389
Fair value gain on investment properties	389
Income tax expense	78
Deferred income tax liabilities	78

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	
	30/06/2007	30/06/2006
Based on the weighted average number of ordinary shares in issue; and	1.10 cents	0.92 cents
On a fully diluted basis	1.03 cents	0.91 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	
	30/06/2007	31/12/2006	30/06/2007	31/12/2006
Net assets backing per ordinary share based on the existing issued share capital as at the end of the period reported on	21.46 cents	22.81 cents	26.78 cents	26.59 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.

Group's Turnover

For 1H2007, the Group recorded a turnover of S\$217.9 million, an increase of 13% when compared with 1H2006.

North Asia, which comprises Greater China, South Korea and Taiwan, posted a 21% increase in turnover. This is largely attributed to widened customers' base and higher demand. North Asia now accounts for about 90% of the Group's turnover.

Turnover in South East Asia, however, registered a 23% decline in turnover. This was largely due to the loss of a single major customer, Vitelcom Mobile Technology S.A. ("Vitelcom"). Vitelcom, which is now under judicial management, contributed a turnover of about S\$9.9 million in 1H2006. If the turnover contribution by Vitelcom in 1H2006 were to be excluded from the comparison, turnover contribution by South East Asia, aided by sales to a Thailand customer, would have posted an 11% increase.

Group's Profit After Income Tax

For 1H2007, the Group posted a net profit after tax ("NPAT") of about S\$4.0 million as compared to a NPAT of about S\$3.3 million for 1H2006.

The Group's profit for 1H2007 were mainly contributed by a gain of about S\$7.1 million from the sale of its entire interest of about 10.7% in Wintech and a fair value gain on investment properties amounting to about S\$0.4 million.

If the profit contribution from the sale of interest in Wintech and fair value gain on investment properties were to be excluded, the Group would have posted a loss of about S\$3.5 million. The loss was mainly due to lower margin earned as a result of more intense competition and provision for trade receivables.

Gross margin achieved in 1H2007 was 8.5% as compared to 9.7% in 1H2006. Provision for trade receivables in 1H2007 was S\$3.5 million.

During 1H2007, the Group acquired a 36.2% interest in Bull Will Co., Ltd. This associated company contributed a net loss of S\$0.3 million for 1H2007. This was mainly due to lower sales volume achieved and loss from sales of aged inventories.

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.

The Group's performance will continue to be highly dependent on the global demand for semiconductors, electronic equipment and consumer electronic products, especially demand for these products in the North Asian countries which now accounted for about 90% of the Group's turnover. More intense competition and rising costs are expected to impact both the revenue and profitability in the next review period.

Given the significance of North Asia to the Group's revenue growth and profitability, more resources will be channeled to strengthen the Group's presence in this region. The Group will continue to focus on high value-added products and services to improve product margins and operation efficiency and effectiveness to negate rising costs.

The Group will continue to review new business opportunities, with the view of increasing shareholders' value.

11. Dividend

a) Current Financial Period Reported On

Any interim (final) dividend declared (recommended) for the current financial period reported on?

On 26 June 2007 the Company announced via SGX Announcement No.00170 the following:

- (i) Proposed 1st tier interim tax-exempt cash dividend of 1 cent per share subject to shareholders' approval at an Extraordinary General Meeting to be held; and
- (ii) Proposed special interim cash dividend of 2.1 cents less tax of 18% (or 1.7 cents net) per share in conjunction with a proposed rights shares cum warrants issue, subject to shareholders' approval at an Extraordinary General Meeting to be held.

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

Date of proposed dividend payment will be announced at a later date.

d) Books closure date

Notice of books closure will be announced at a later date.

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

The proposed interim cash dividends as stated in 11(a) above will be subject to shareholders' approval at an Extraordinary General Meeting to be held.

BY ORDER OF THE BOARD

Dr. Derek Goh Bak Heng
Executive Chairman/ Group CEO
10 August 2007