

SGXNET Announcement



**AEM Holdings Ltd
(Registration No. 200006417D)
Quarterly Financial Statements and Dividend Announcement
For Period Ended 30 June 2014**

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1. Financial Statements

1(a)(i). Consolidated Income Statement

	Note	Quarterly Results			YTD Results		
		2Q2014 S\$'000	2Q2013 S\$'000	Change* %	1H2014 S\$'000	1H2013 S\$'000	Change* %
Revenue		8,875	14,931	-40.6%	20,327	28,146	-27.8%
Other income	A.1	385	706	-45.5%	869	1,310	-33.7%
		9,260	15,637	-40.8%	21,196	29,456	-28.0%
Changes in inventories of finished goods and work-in-progress	A.2	(242)	2,887	-108.4%	(2,064)	2,316	-189.1%
Raw materials and other consumables	A.2	(5,642)	(10,946)	48.5%	(10,872)	(18,158)	40.1%
Staff costs		(3,667)	(3,547)	-3.4%	(7,267)	(6,603)	-10.1%
Depreciation of property, plant and equipment		(894)	(1,036)	13.7%	(1,810)	(2,051)	11.8%
Amortisation of intangible assets		(340)	(77)	-341.6%	(674)	(133)	-406.8%
Other expenses		(3,256)	(3,256)	0.0%	(6,130)	(6,146)	0.3%
Finance expenses		(11)	(17)	35.3%	(23)	(36)	36.1%
Loss before taxation		(4,792)	(355)	NM	(7,644)	(1,355)	-464.1%
Income tax expense		-	(249)	100.0%	(74)	(303)	75.6%
Loss for the period		(4,792)	(604)	-693.4%	(7,718)	(1,658)	-365.5%

* Increase/(Decrease) Earnings

Loss attributable to:

Owners of the Company		(3,276)	184	NM	(5,005)	(275)	NM
Non-controlling interests		(1,516)	(788)	-92.3%	(2,713)	(1,383)	-96.2%
Loss for the period		(4,792)	(604)	-693.4%	(7,718)	(1,658)	-365.5%

* Increase/(Decrease) Earnings

1(a)(ii). Consolidated Comprehensive Income Statement

	Note	Quarterly Results			YTD Results		
		2Q2014 S\$'000	2Q2013 S\$'000	Change* %	1H2014 S\$'000	1H2013 S\$'000	Change* %
Loss for the period		(4,792)	(604)	-693.4%	(7,718)	(1,658)	-365.5%
Other comprehensive income/(loss)							
Translation gain/(loss) relating to financial statements of foreign subsidiaries, net of tax		206	144	43.1%	293	710	-58.7%
Exchange gain/(loss) relating to monetary items forming part of net investments		-	(17)	100.0%	-	(58)	100.0%
Other comprehensive income/(loss) for the period, net of tax		206	127	62.2%	293	652	-55.1%
Total comprehensive loss for the period		(4,586)	(477)	NM	(7,425)	(1,006)	-638.1%

* Increase/(Decrease) Earnings

Total comprehensive income/(loss) attributable to:

Owners of the Company		(3,070)	311	NM	(4,712)	377	NM
Non-controlling interests		(1,516)	(788)	-92.3%	(2,713)	(1,383)	-96.2%
Total comprehensive loss for the period		(4,586)	(477)	NM	(7,425)	(1,006)	-638.1%

* Increase/(Decrease) Earnings

NM: Not meaningful

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

A.1 Loss for the period is arrived at after crediting/(charging) the following items:

	Note	Quarterly Results			YTD Results		
		2Q2014 S\$'000	2Q2013 S\$'000	Change* %	1H2014 S\$'000	1H2013 S\$'000	Change* %
Government grant income		-	96	-100.0%	55	122	-54.9%
Interest income	(a)	15	38	-60.8%	28	144	-80.6%
Rental income		281	282	-0.2%	576	573	0.5%
Gain/(loss) on disposal of property, plant and equipment		-	37	-100.0%	-	37	-100.0%
Exchange (loss)/gain, net		(35)	195	-118.0%	(25)	290	-108.6%
Allowance for inventory obsolescence made		(12)	-	NM	(13)	-	NM

A.1(a) The decline in interest income in 1H2014 compared to 1H2013 was due to lower fixed deposits placed with banks.

A.2 Raw Material and Other Consumables

	2Q2014 S\$'000	2Q2013 S\$'000	Change* %	1H2014 S\$'000	1H2013 S\$'000	Change* %
Changes in inventories of finished goods and work-in-progress	(242)	2,887	-108.4%	(2,064)	2,316	-189.1%
Raw materials and consumables cost	(5,630)	(10,946)	48.6%	(10,859)	(18,158)	40.2%
Material cost before obsolescence	(5,872)	(8,059)	27.1%	(12,923)	(15,842)	18.4%
Allowance for inventory obsolescence made	(12)	-	NM	(13)	-	NM
Total	(5,884)	(8,059)	27.0%	(12,936)	(15,842)	18.3%

A significant portion of our finished goods and work-in-progress cost comprises materials and consumables cost. In line with the lower revenue, raw materials and consumables cost, after taking into consideration changes in inventories, decreased from S\$8.1 million in 2Q2013 to S\$5.9 million in 2Q2014, representing a reduction of 27.0% and decreased from S\$15.8 million in 1H2013 to S\$12.9 million in 1H2014, representing a reduction of 18.3%. The raw materials and other consumables cost reduction was lower than revenue reduction mainly due to changes in product mix and for new products development.

1(b)(i). Statement of Financial Position

	Note	Group		Company	
		30-Jun-14 S\$'000	31-Dec-13 S\$'000	30-Jun-14 S\$'000	31-Dec-13 S\$'000
Non-current assets					
Property, plant and equipment		30,660	31,151	49	61
Intangible assets	B.1	9,540	8,504	115	87
Subsidiaries		-	-	46,031	42,423
		40,200	39,655	46,195	42,571
Current assets					
Inventories		13,176	15,454	-	-
Trade and other receivables	B.2	13,687	10,722	2,324	5,380
Cash and bank balances	B.3	11,783	22,370	2,211	3,548
		38,646	48,546	4,535	8,928
Total assets		78,846	88,201	50,730	51,499
Equity Attributable to Owners of the Company					
Share capital	1(d)(i)	39,737	39,737	39,737	39,737
Other reserves	1(d)(i)	(15,085)	(15,597)	(461)	(680)
Accumulated profits	1(d)(i)	20,721	25,726	7,580	7,948
	1(d)(i)	45,373	49,866	46,856	47,005
Non-controlling interests		14,260	14,331	-	-
Total equity		59,633	64,197	46,856	47,005
Non-current liabilities					
Financial liabilities	1(b)(ii)	106	605	-	-
Trade and other payables		404	404	-	-
Deferred tax liabilities		604	603	87	87
		1,114	1,612	87	87
Current liabilities					
Trade and other payables	B.4	14,842	19,240	3,653	3,668
Financial liabilities	1(b)(ii)	1,000	999	-	-
Current tax payable		2,010	1,907	134	739
Provisions		247	246	-	-
		18,099	22,392	3,787	4,407
Total liabilities		19,213	24,004	3,874	4,494
Total equity and liabilities		78,846	88,201	50,730	51,499

- B.1** The increase in intangible assets was mainly due to the capitalisation of development charges relating to the new substrates program.
- B.2** The increase in trade and other receivables was mainly due to the removal of early payment discounts previously extended to certain customers of the Group.
- B.3** Cash and bank balances reduced mainly due to repayments of trade purchases and expenditures relating to the equipment and facilities installation that were due and development cost incurred relating to the new substrates program.
- B.4** The reduction in trade and other payables was mainly due to the payments of trade purchases and expenditures relating to the equipment and facilities installation of the new substrates program that were due.

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

	30-Jun-14 S\$'000	31-Dec-13 S\$'000
Amount repayable in one year or less, or on demand		
- Secured bank loans	1,000	999
	1,000	999
Amount repayable after one year		
- Secured bank loans	106	605
Total	1,106	1,604

The bank loans are secured by corporate guarantees from AEM Holdings Ltd.

1(c). Consolidated Cash Flow Statement

	Note	2Q2014 S\$'000	2Q2013 S\$'000	1H2014 S\$'000	1H2013 S\$'000
Operating activities					
Loss before income tax		(4,792)	(355)	(7,644)	(1,355)
Adjustments for:					
Depreciation and amortisation		1,234	1,112	2,484	2,184
Loss on disposal of property, plant and equipment		-	37	-	37
Allowance made for inventories obsolescence		12	-	13	-
Allowance made for doubtful debts and bad debts written off		-	1	-	2
Interest income		(15)	(38)	(28)	(144)
Interest expense		11	17	23	36
Provision for warranties		18	179	29	221
Performance shares expense		-	469	255	469
Operating profit before working capital changes		(3,532)	1,422	(4,869)	1,450
Changes in working capital:					
Inventories		475	(2,735)	2,265	(3,353)
Trade and other receivables		(435)	(2,065)	(2,365)	1,559
Trade and other payables		1,202	5,164	(2,793)	5,889
Cash (used in)/generated from operations		(2,290)	1,786	(7,762)	5,545
Income taxes refunded/(paid)		879	(254)	29	(234)
Cash flows (used in)/from operating activities		(1,411)	1,532	(7,733)	5,311
Investing activities					
Interest income		15	38	28	144
Purchase of property, plant and equipment		(653)	(4,215)	(2,969)	(12,499)
Proceeds from sale of property, plant and equipment		-	37	-	37
Acquisition of intangible assets		(673)	(2,118)	(1,709)	(3,600)
Cash flows used in investing activities		(1,311)	(6,258)	(4,650)	(15,918)

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

	Note	2Q2014 S\$'000	2Q2013 S\$'000	1H2014 S\$'000	1H2013 S\$'000
Financing activities					
Interest expense		(11)	(17)	(23)	(36)
Proceeds from subsidiary's shares issuance		1,321	-	2,642	-
Repayment of financial liabilities		(244)	(274)	(498)	(399)
Dividend payment		-	(1,571)	-	(1,571)
Purchase of treasury shares		-	(356)	(36)	(356)
Cash flows from/(used in) financing activities		1,066	(2,218)	2,085	(2,362)
Net decrease in cash and cash equivalents		(1,656)	(6,904)	(10,298)	(12,929)
Cash and cash equivalents at beginning of period		13,637	33,288	22,370	39,547
Effect of exchange rate changes on balances held in foreign currencies		(198)	249	(290)	15
Cash and cash equivalents at end of period		11,783	26,633	11,783	26,633

Explanatory Notes on Cash Flow Statement

Cash and bank balances reduced in 1Q2014 and 1H2014 mainly due to payments of expenditures relating to the equipment and facilities installation and operating losses.

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

	Share capital S\$'000	Treasury share reserve S\$'000	Capital reserve S\$'000	Share compensation reserve S\$'000	Merger reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	Total attributable to shareholders S\$'000	Non-Controlling Interest S\$'000	Total Equity S\$'000
Group										
As at 1 Jan 2013	39,737	(578)	214	230	139	(16,259)	31,370	54,853	16,141	70,994
Changes in equity for the period										
Total comprehensive income/(loss)	-	-	-	-	-	532 *	(467)	65	(594)	(529)
As at 31 Mar 2013	39,737	(578)	214	230	139	(15,727)	30,903	54,918	15,547	70,465
Own shares acquired	-	(356)	-	-	-	-	-	(356)	-	(356)
Performance shares issuance	-	469	-	-	-	-	-	469	-	469
Dividend payment	-	-	-	-	-	-	(1,571)	(1,571)	-	(1,571)
Total comprehensive income/(loss)	-	-	-	-	-	124 *	188	312	(788)	(477)
As at 30 Jun 2013	39,737	(465)	214	230	139	(15,603)	29,520	53,772	14,758	68,530

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

	Share capital S\$'000	Treasury share reserve S\$'000	Capital reserve S\$'000	Share compensation reserve S\$'000	Merger reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	Total attributable to shareholders S\$'000	Non-Controlling Interest S\$'000	Total Equity S\$'000
Group										
As at 1 Jan 2014	39,737	(910)	214	230	139	(15,270)	25,726	49,866	14,331	64,197
Changes in equity for the period										
Own shares acquired	-	(36)	-	-	-	-	-	(36)	-	(36)
Performance Share Plan shares issuance	-	255	-	-	-	-	-	255	-	255
Total comprehensive income/(loss)	-	-	-	-	-	87 *	(1,729)	(1,642)	(1,197)	(2,839)
Acquisition of shares in subsidiary	-	-	-	-	-	-	-	-	1,321	1,321
As at 31 Mar 2014	39,737	(691)	214	230	139	(15,183)	23,997	48,443	14,455	62,898
Total comprehensive income/(loss)	-	-	-	-	-	206 *	(3,276)	(3,070)	(1,516)	(4,586)
Acquisition of shares in subsidiary	-	-	-	-	-	-	-	-	1,321	1,321
As at 30 Jun 2014	39,737	(691)	214	230	139	(14,977)	20,721	45,373	14,260	59,633

* The net exchange difference arose mainly from translation of subsidiaries' USD-denominated net assets and liabilities.

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

	Share capital S\$'000	Treasury share reserve S\$'000	Share compensation reserve S\$'000	Retained earnings S\$'000	Total attributable to shareholders of the Company S\$'000
Company					
As at 1 Jan 2013	39,737	(578)	230	5,304	44,693
Changes in equity for the period					
Total comprehensive income	-	-	-	20	20
As at 31 Mar 2013	39,737	(578)	230	5,324	44,713
Own shares acquired	-	(356)	-	-	(356)
Performance Share Plan	-	469	-	-	469
Dividend payment	-	-	-	(1,571)	(1,571)
Total comprehensive loss	-	-	-	(154)	(154)
As at 30 Jun 2013	39,737	(465)	230	3,598	43,101

	Share capital S\$'000	Treasury share reserve S\$'000	Share compensation reserve S\$'000	Retained earnings S\$'000	Total attributable to shareholders of the Company S\$'000
Company					
As at 1 Jan 2014	39,737	(910)	230	7,948	47,005
Changes in equity for the period					
Own shares acquired	-	(36)	-	-	(36)
Performance Shares Plan shares issuance	-	255	-	-	255
Total comprehensive loss	-	-	-	(122)	(122)
As at 31 Mar 2014	39,737	(691)	230	7,826	47,102
Total comprehensive loss	-	-	-	(246)	(246)
As at 30 Jun 2014	39,737	(691)	230	7,580	46,856

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

	As at 30-Jun-14		As at 31-Dec-13		As at 30-Jun-13	
	No. of shares	S\$'000	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid						
At 1 January	451,126,760	39,737	451,126,760	39,737	451,126,760	39,737
Less treasury shares balance	(7,650,000)	(691)	(10,000,000)	(910)	(5,201,000)	(465)
Total issued shares less treasury shares reserve at end of period	443,476,760	39,046	441,126,760	38,827	445,925,760	39,272

	As at 30-Jun-14		As at 31-Dec-13		As at 30-Jun-13	
	No. of shares	S\$'000	No. of shares	S\$'000	No. of shares	S\$'000
Treasury shares						
At 1 January	(10,000,000)	(910)	(7,023,000)	(578)	(7,023,000)	(578)
Less purchase of own shares	(450,000)	(36)	(8,677,000)	(801)	(3,878,000)	(356)
Issue of treasury shares to management under Performance Share Plan	2,800,000	255	5,700,000	469	5,700,000	469
Treasury shares balance at end of period	(7,650,000)	(691)	(10,000,000)	(910)	(5,201,000)	(465)

1(d)(iii). Share Options

Nil

1(d)(iv). Treasury Shares

As at 30 June 2014, the treasury shares balance was 7,650,000 (31 December 2013: 10,000,000). The total number of issued ordinary shares excluding treasury shares at the end of the period was 443,476,760 (31 December 2013: 441,126,760).

There was no sale, transfer or cancellation of treasury shares during the period.

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 matter)

Not applicable.

4. Accounting Policies

Whether the same accounting policies and methods of computations as in the issuer's most recently audited annual financial statements have been applied

Other than the adoption of the new and revised Financial Reporting Standards (FRSs) as mentioned in paragraph 5 below, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2013.

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.

The Group and the Company have reviewed the applicable new and revised Financial Reporting Standards (FRSs) and the Interpretations of FRSs that became effective for accounting periods beginning 1 January 2014.

The adoption of these new and revised FRSs does not have a material impact to the Group financial statements.

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	
	2Q2014	2Q2013	1H2014	1H2013
(i) EPS based on weighted average number of ordinary shares in issue	-0.74 cents	0.04 cents	-1.13 cents	-0.06 cents
Weighted average number of shares in issue	443,476,760	447,069,727	442,324,650	445,594,937
(ii) EPS based on a fully diluted basis	-0.74 cents	0.04 cents	-1.13 cents	-0.06 cents
Weighted average number of shares adjusted for the effect of dilutive potential ordinary shares arising from the exercise of share options	443,476,760	447,069,727	442,324,650	445,594,937

7. Net Asset Value Per Share

	Group		Company	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
Net asset value per share	13.4 cents	14.6 cents	10.6 cents	10.7 cents

Net asset value per share is calculated based on the existing issued share capital less treasury shares of 443,476,760 ordinary shares as at 30 June 2014 (31 December 2013: 441,126,760 shares). The decline in net asset value per share was mainly due to the loss after tax recorded in 1H2014.

8. Group Performance Review

Analysis of Consolidated Income Statement

	Quarterly Results			YTD Results		
	2Q2014	2Q2013	Change	1H2014	1H2013	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Equipment Systems (ESS)	5,121	9,427	-45.7%	13,220	16,283	-18.8%
Precision Components (PCS)	2,166	1,734	24.9%	4,081	3,838	6.3%
Substrate & Packaging (SPS)	1,588	3,770	-57.9%	3,026	8,025	-62.3%
Overall	8,875	14,931	-40.6%	20,327	28,146	-27.8%

The Group reported lower sales from its Equipment Systems ("ESS") business mainly due to lower demand for its equipment and kits. Sales for ESS recorded a reduction of 45.7 % from S\$9.4 million in 2Q2013 to S\$5.1 million in 2Q2014 and 18.8% from S\$16.3 million in 1H2013 to S\$13.2 million in 1H2014. The Precision Components ("PCS") business recorded higher sales of 24.9% from S\$1.7 million in 2Q2013 to S\$2.2 million in 2Q2014 and 6.3% from S\$3.8 million in 1H2013 to S\$4.1 million in 1H2014 mainly due to increase in general demand for its products and services. The Substrates & Packaging ("SPS") business decreased by 57.9% from S\$3.8 million in 2Q2013 to S\$1.6 million in 2Q2014 and 62.3% from S\$8.0 million in 1H2013 to S\$3.0 million in 1H2014 mainly due to a lack of high volume manufacturing orders. As a result, total revenue reduced by 40.6% from S\$14.9 million in 2Q2013 to S\$8.9 million in 2Q2014 and 27.8% from S\$28.1 million in 1H2013 and S\$20.3 million in 1H2014.

In line with the lower revenue, raw materials and other consumables, after taking into consideration changes in inventories, decreased from S\$8.1 million in 2Q2013 to S\$5.9 million in 2Q2014, representing a reduction of 27.0% and decreased from S\$15.8 million in 1H2013 to S\$12.9 million in 1H2014, representing a reduction of 18.3% . The reduction in raw materials and other consumables cost was lower than revenue reduction mainly due to product mix changes and new product development.

Staff costs increased by 3.4% from S\$3.5 million in 2Q2013 to S\$3.7 million in 2Q2014 and 10.1% from S\$6.6 million in 1H2013 to S\$7.3 million in 1H2014 mainly due to more staff being employed to strengthen the engineering and field service team in the ESS business to undertake new product development work.

Depreciation cost declined by 13.7% from S\$1.0 million in 2Q2013 to S\$894,000 in 2Q2014 and 11.8% from S\$2.1 million in 1H2013 to S\$1.8 million in 1H2014 mainly due to the lower net value of property, plant and equipment. This excludes the cost of certain equipment and facilities invested for the new substrates program which is still under development.

Amortisation of intangible assets increased from S\$77,000 in 2Q2013 to S\$340,000 in 2Q2014 and from S\$133,000 in 1H2013 to S\$674,000 in 1H2014, mainly due to the amortisation of equipment development costs.

Other expenses, the bulk of which include fixed operating costs, remained relatively unchanged despite lower sales.

As a result of the above, the Group reported a S\$4.8 million and \$7.7 million net loss in 2Q2014 and 1H2014 respectively.

Analysis of Statement of Financial Position

As at 30 June 2014, the Group had a cash balance of S\$11.8 million which was in excess of its financial liabilities of S\$1.1 million. The net assets of the Group as at 30 June 2014 was S\$59.6 million which translates to a net asset value per share of 13.4 cents.

Cash and bank balances reduced mainly due to payments of trade purchases, expenditure relating to the installation of equipment and facilities and development cost incurred relating to the new substrates program.

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

On the Group's equipment business, we have received to-date purchase orders of S\$13.6 million for an enhancement to our new equipment program, S\$3.3 million has been recognised as sales and the remaining will be recognised as revenue only in the course of 2014 and 1H2015. The shipment of the next generation systems to a major customer's development sites is likely to commence in 2H2014, in line with the customer's roll out plan. The Group expects to reap the benefits from the newly upgraded equipment once the customer commences higher volume production.

Notwithstanding our investments previously undertaken in our new Molded Interconnect Substrates business, the ramp up to high volume manufacturing for the substrates has not been forthcoming and orders remain low. We are currently reviewing the viability of this business and will keep the market duly informed of any further developments.

In view of the above and as the Group is currently re-aligning its businesses, we do not expect to be profitable this year.

11. Dividends

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? No

Name of Dividend	NA
Dividend Type	NA
Dividend Rate	NA
Tax Rate	NA

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of Dividend	NA
Dividend Type	NA
Dividend Rate	NA
Tax Rate	NA

(c) Date payable

NA

(d) Books closure date

NA

12. Statement on Dividends

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

No dividend has been declared.

13. Interested Person Transactions

If no IPT mandate has been obtained, a statement to that effect

No IPT mandate has been obtained.

14. 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 for the period ended 30 June 2014, to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Charles Cher Lew Siang
Chief Executive Officer
5 August 2014