

Quarterly Financial Statement And Dividend Announcement

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

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

	Group			Group		
	9 months ended		Fav/ (Unfav)	3 months ended		Fav/ (Unfav)
	30/9/2013	30/9/2012		30/9/2013	30/9/2012	
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	51,157	57,111	(10)	16,886	22,586	(25)
Cost of sales	(50,116)	(57,566)	13	(15,568)	(21,293)	27
Gross profit (loss)	1,041	(455)	NM	1,318	1,293	2
<i>Gross margin</i>	<i>2.0%</i>	<i>-0.8%</i>		<i>7.8%</i>	<i>5.7%</i>	
Other income (including interest income)	2,498	484	416	338	103	228
Administrative expenses	(8,209)	(8,776)	6	(2,869)	(3,038)	6
Distribution costs	(1,549)	(1,966)	21	(532)	(625)	15
Other expenses	(104)	(2,254)	95	(66)	(2,191)	97
Finance costs	(1,077)	(1,318)	18	(355)	(425)	16
Loss before income tax	(7,400)	(14,285)	48	(2,166)	(4,883)	56
Income tax expense	-	-	-	-	-	-
Net loss for the period	(7,400)	(14,285)	48	(2,166)	(4,883)	56
Attributable to:						
Equity holders of the parent	(6,522)	(13,370)	51	(2,009)	(4,534)	56
Non-controlling interests	(878)	(915)	4	(157)	(349)	55
	(7,400)	(14,285)		(2,166)	(4,883)	
Statement of comprehensive income						
Net loss for the period	(7,400)	(14,285)	48	(2,166)	(4,883)	56
Other comprehensive income:						
Foreign currency translation	1,455	(3,175)	NM	(108)	(1,745)	94
Other comprehensive loss for the period	1,455	(3,175)		(108)	(1,745)	
Total comprehensive loss for the period	(5,945)	(17,460)	66	(2,274)	(6,628)	66
Total comprehensive loss attributable to:						
Equity holders of the parent	(5,642)	(15,774)	64	(2,049)	(5,850)	65
Non-controlling interests	(303)	(1,686)	82	(225)	(778)	71
	(5,945)	(17,460)	66	(2,274)	(6,628)	66

NM: Not meaningful

Net loss for the period as a percentage of revenue

-14.5%

-25.0%

-12.8%

-21.6%

Loss before income tax is arrived at after charging (crediting) the following:

Depreciation of property, plant and equipment	8,634	9,977	2,853	3,158
Amortisation of land use rights	44	44	-	-
Fixed assets written off	75	805	2	805
Foreign exchange loss	(594)	(4,215)	(668)	(5,241)
Gain on disposal of property, plant and equipment	(238)	(32)	(1)	(29)
Interest income	(115)	(101)	(56)	(35)
Interest expense	1,077	1,318	355	425

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.

Statements of Financial Position

	Group		Company	
	As at 30/9/2013	As at 31/12/2012	As at 30/9/2013	As at 31/12/2012
	\$'000	\$'000	\$'000	\$'000
Current assets				
Cash and bank balances	16,640	17,395	63	103
Pledged bank deposits	-	146	-	-
Trade receivables	20,187	28,411	-	-
Other receivables and prepayments	3,287	2,330	8,138	7,949
Land use rights	94	90	-	-
Inventories	4,339	5,980	-	-
Total current assets	44,547	54,352	8,201	8,052
Non-current assets				
Investment in subsidiaries	-	-	70,505	67,446
Investment in associate	212	-	-	-
Land use rights	3,977	3,872	-	-
Property, plant and equipment	49,754	57,258	729	708
Other receivables	958	1,341	-	-
Goodwill	2,226	2,226	-	-
Deferred tax asset	1,395	1,355	-	-
Total non-current assets	58,522	66,052	71,234	68,154
Total assets	103,069	120,404	79,435	76,206
Current liabilities				
Trade payables	13,590	18,858	-	-
Other payables	7,418	7,006	10,425	8,241
Provision	9,705	9,705	9,705	9,705
Short-term bank loans	4,541	13,400	-	-
Current portion of long-term bank loans	1,079	1,017	56	59
Current portion of finance leases	564	1,110	-	-
Due to shareholders	3,211	3,750	3,211	3,750
Total current liabilities	40,108	54,846	23,397	21,755
Non-current liabilities				
Due to shareholders	10,929	10,732	10,929	10,732
Long-term bank loans	12,441	8,946	-	46
Finance leases	80	424	-	-
Total non-current liabilities	23,450	20,102	10,929	10,778
Capital, reserves and non-controlling interests				
Share capital	56,127	56,127	56,127	56,127
Reserves	(23,457)	(17,815)	(11,018)	(12,454)
Equity attributable to equity holders of the company	32,670	38,312	45,109	43,673
Non-controlling interests	6,841	7,144	-	-
Total equity	39,511	45,456	45,109	43,673
Total liabilities and equity	103,069	120,404	79,435	76,206

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

Amount repayable in one year or less, or on demand

As at 30/9/2013		As at 31/12/2012	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
6,184	3,211	15,527	3,750

The amount repayable after one year

As at 30/9/2013		As at 31/12/2012	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
12,521	10,929	9,370	10,732

Details of any collaterals

The group's borrowings are primarily secured by personal guarantees from directors, plant and equipment, land use rights and trade receivables.

1 (c) **Statements of Cash Flows for period ended 30 June**

Operating Activities:

Loss before Income Tax:	(7,400)	(14,285)
Adjustments for:-		
Depreciation of property, plant and equipment	8,634	9,977
Amortisation of land use rights	44	44
Fixed assets written off	75	805
Interest income	(115)	(101)
Interest expense	1,077	1,318
Net foreign exchange loss	(594)	(4,215)
Gain on disposal of property, plant and equipment	(238)	(32)
Operating loss before working capital changes	1,483	(5,326)
Changes in working capital:-		
Trade receivables	8,224	579
Other receivables and prepayments	(574)	(224)
Inventories	1,641	2,012
Trade payables	(5,268)	(1,077)
Other payables	412	(2,013)
Cash generated from (used in) operations	5,918	(6,049)
Net interest paid	(962)	(1,217)
Income tax paid	-	-
Cash flows generated from (used in) operating activities	4,956	(7,266)

Investing Activities:

Incorporation of associate	(212)	-
Proceeds on disposal of property, plant and equipment	2,838	1,849
Purchase of property, plant and equipment	(1,517)	(876)
Cash flows generated from investing activities	1,109	973

Financing Activities:

Decrease in cash subjected to restriction	146	91
Repayment of bank loans	(11,391)	(19,396)
New bank loans raised	6,228	18,234
Amount paid to shareholders	(1,023)	(951)
Amount raised from shareholders	326	3,021
Repayment of finance lease obligations	(1,202)	(1,406)
Cash flows used in from financing activities	(6,916)	(311)

Net decrease in cash and bank balances

Cash and bank balances at beginning of period	17,395	17,872
Effect of exchange rate changes on the balances of cash held in foreign currencies	97	(134)
Cash and bank balances at end of period	16,640	11,134

Group	
9 months ended	
30/9/2013	30/9/2012
\$'000	\$'000
(7,400)	(14,285)
8,634	9,977
44	44
75	805
(115)	(101)
1,077	1,318
(594)	(4,215)
(238)	(32)
1,483	(5,326)
8,224	579
(574)	(224)
1,641	2,012
(5,268)	(1,077)
412	(2,013)
5,918	(6,049)
(962)	(1,217)
-	-
4,956	(7,266)
(212)	-
2,838	1,849
(1,517)	(876)
1,109	973
146	91
(11,391)	(19,396)
6,228	18,234
(1,023)	(951)
326	3,021
(1,202)	(1,406)
(6,916)	(311)
(852)	(6,604)
17,395	17,872
97	(134)
16,640	11,134

Group	
3 months ended	
30/9/2013	30/9/2012
\$'000	\$'000
(2,166)	(4,883)
2,853	3,158
-	-
2	805
(56)	(35)
355	425
(668)	(5,241)
(1)	(29)
319	(4,637)
1,197	(3,806)
474	186
1,018	313
(2,132)	3,077
1,699	10
2,575	(4,857)
(299)	(390)
-	11
2,276	(5,236)
-	-
26	1,836
(167)	(509)
(141)	1,327
-	79
(1,406)	(8,330)
582	12,199
(365)	(144)
65	407
(658)	(659)
(1,783)	3,648
352	(261)
16,759	11,252
(471)	143
16,640	11,134

1(d)(i) A statement for the issuer and the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statements of Changes in Equity for the financial period ended 30 September

	Share capital \$'000	Currency translation reserves \$'000	Statutory reserves \$'000	Other reserves \$'000	Accumulated profits (losses) \$'000	Total attributable to equity holders of the company \$'000	Minority interests \$'000	Total \$'000
<u>Group</u>								
At 1 July 2012	56,127	(7,636)	7,750	(2,993)	1,085	54,333	8,151	62,484
Total comprehensive loss for the period	-	(1,317)	-	-	(4,533)	(5,850)	(778)	(6,628)
At 30 September 2012	56,127	(8,953)	7,750	(2,993)	(3,448)	48,483	7,373	55,856
At 1 July 2013	56,127	(7,818)	7,780	(2,993)	(18,377)	34,719	7,066	41,785
Total comprehensive loss for the period	-	(40)	-	-	(2,009)	(2,049)	(225)	(2,274)
At 30 September 2013	56,127	(7,858)	7,780	(2,993)	(20,386)	32,670	6,841	39,511
<u>Company</u>								
At 1 July 2012	56,127	65	-	-	105	56,297	-	56,297
Total comprehensive loss for the period	-	(1,751)	-	-	(1,002)	(2,753)	-	(2,753)
At 30 September 2012	56,127	(1,686)	-	-	(897)	53,544	-	53,544
At 1 July 2013	56,127	970	-	-	(10,989)	46,108	-	46,108
Total comprehensive loss for the period	-	(276)	-	-	(723)	(999)	-	(999)
At 30 September 2013	56,127	694	-	-	(11,712)	45,109	-	45,109

- 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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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.**

During 1 January 2013 to 30 September 2013, the Company did not issue any shares.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares excluding treasury shares

As at 30/9/2013	As at 31/12/2012
570,000,000	570,000,000

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2. 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. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of 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 Company has adopted the same accounting policies and methods of computation as compared to the most recent audited financial statements as at 31 December 2012.

- 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 effect, of the change.**

Not applicable.

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

Earnings per ordinary share for the year based on net profit/(loss) for the period:

(i) Based on the weighted average number of
Weighted average number of shares

(ii) On a fully diluted basis (cts)
Weighted average number of shares

Group		Group	
9 months ended		3 months ended	
30/9/2013	30/9/2012	30/9/2013	30/9/2012
(1.14) 570,000,000	(2.35) 570,000,000	(0.35) 570,000,000	(0.80) 570,000,000
(1.14) 570,000,000	(2.35) 570,000,000	(0.35) 570,000,000	(0.80) 570,000,000

- 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 period reported on; and (b) immediately preceding financial year.**

Net asset value per ordinary share (cts) *
Number of shares

Group		Company	
As at 30/9/2013	As at 31/12/2012	As at 30/9/2013	As at 31/12/2012
5.34 570,000,000	6.33 570,000,000	7.91 570,000,000	7.66 570,000,000

* NAV per ordinary share excluding goodwill.

8. Review of the Group's performance

Revenue

For the nine months ended 30 September 2013 ("YTD3Q13"), the Group reported revenue of \$51.2 million, a decrease of 10% from \$57.1 million from the corresponding period in 2012 ("YTD3Q12"). On the whole, the increase in revenue under laser drilling segment is unable to offset against decrease in revenue from PCB operations and mechanical drilling and routing segment.

Similarly, for the three months ended 30 September 2013 ("3Q13"), the Group reported revenue of \$16.9 million, a decrease of 25% from \$22.6 million from the corresponding period in 2012 ("3Q12"). It was an across the board decrease in revenue for all segments.

PCB Operations

PCB operations continue to be the major contributor accounting for 82% of our Group's revenue in YTD3Q13. Revenue from PCB operations decreased by 15% from \$48.9 million in YTD3Q12 to \$41.8 million in YTD3Q13. The reduction was mainly due to weaker business sentiment resulting in decrease in demand.

On a quarterly basis, revenue from PCB operations decreased by 29% from \$18.2 million in 3Q12 to \$12.9 million in 3Q13.

Mechanical Drilling and Routing

Revenue from mechanical drilling and routing segment decreased by 8% from \$5.3 million in YTD3Q12 to \$4.9 million in YTD3Q13. Mechanical drilling and routing segments are mainly made up of sub-contracted sales which are volatile to any fluctuations in market demands.

On a quarterly basis, revenue from mechanical drilling and routing segment remained constant at \$2.2 million for both 3Q12 and 3Q13.

Laser Drilling

Revenue from laser drilling segment increased from \$2.8 million in YTD3Q12 to \$4.5 million in YTD3Q13. Similar to mechanical drilling and routing segment, laser drilling segment is mainly made up of sub-contracted sales which are volatile to any fluctuations in market demands. There was a notable increase in sales orders placed by several of our major customers.

On a quarterly basis, revenue from laser drilling segment decreased from \$2.3 million in 3Q12 to \$1.8 million in 3Q13.

Geographical Markets

China operations remained as the key contributor to Group's revenue for 2013. Proportion of revenue from China operations remained constant at 93% for 2Q13 and 3Q13.

Profitability

Gross Loss

There is a gross profit of \$1.0 million in YTD3Q13 as compared to a gross loss of \$0.5 million in YTD3Q12. This is mainly due to the picking up of laser drilling segment where a gross profit of \$0.6 million was made in YTD3Q13 as compared to a gross loss of \$1.9 million incurred in YTD3Q12. On the other hand, gross profit from PCB operations decreased by 28% from \$3.6 million in YTD3Q12 to \$2.6 million in YTD3Q13.

On a quarterly basis, gross profit remained constant at \$1.3 million for YTD3Q13 and YTD3Q12.

Other Income

The increase in other income was mainly due to gain on sale of fixed assets of S\$0.2 million and exchange gain of \$1.6 million incurred in YTD3Q13.

Administrative Expenses

The decrease in administrative expenses was mainly due to effective cost management measures adopted by our Taiwan subsidiary, LGANG Optonics Technology Co., Ltd ("LGANG") where rental of a factory ceased in 4Q12.

Distribution Costs

Distribution costs comprise mainly sales commission payable to sales representatives in processing sales for PCB manufacturing and related delivery costs.

Distribution costs decreased by 26% from \$2.0 million in YTD3Q12 to \$1.5 million in YTD3Q13. This was mainly due to decrease in sales commission payable to sales representatives in processing sales for PCB manufacturing.

Other Expenses

The decrease in other expense was mainly due to reclass of foreign exchange gain and gain on disposal of fixed assets to other income in 3Q13.

In YTD3Q13, an exchange gain of \$1.5 million was incurred for YTD3Q13 as compared to exchange loss of \$0.4 million incurred for YTD3Q12. This exchange gain was due to strengthening of Renminbi against United States Dollars and Japanese Yen. Whereas, a net loss of \$1.1 million on disposal of fixed assets was incurred for YTD3Q12 while a net gain of \$0.2 million was incurred for YTD3Q13. Both exchange gain and net gain on disposal of fixed assets were reclassified under other income accordingly.

Finance Costs

There is a decrease in finance cost from \$1.3 million in YTD3Q12 to \$1.1 million in YTD3Q13. This decrease is mainly due to lesser bank borrowings.

Balance Sheet

The Group's cash and bank balances decreased from \$17.4 million at 4Q12 to \$16.6 million at 3Q13.

The decrease in trade receivables of \$8.2 million is in line with the decrease in sales. Generally, trade receivables are correlated with the revenue level of that quarter.

There was a decrease in trade receivables turnover days from 132 days in 4Q12 to 102 days in 3Q13.

Other receivables and prepayments increased by \$0.5 million from \$3.7 million at 4Q12 to \$4.2 million at 3Q13. The increase is mainly due to prepayment made to suppliers by our China subsidiaries. In addition, it is also the norm for our China subsidiaries for expenses to be prepaid at the beginning of each financial year, prior to expensing it on a monthly basis. Other receivables and prepayments mainly comprise of prepaid operating expenses, such as utilities, insurance, maintenance expense, etc.

The decrease in inventory level from \$6 million at 4Q12 to \$4.3 million at 3Q13 was mainly due to stricter inventory management in our PCB operations.

In 2Q13, Petron Co., Ltd ("Petron") was incorporated under LGANG Optronics Technology Co., Ltd, a wholly-owned subsidiary of the Group. LGANG Optronics Technology Co., Ltd has a 50% shareholding in Petron while the remaining 50% is held by 3 non-related third parties. Petron is an associate of the Group and is primarily engaged in provision of customisation, services and maintenance of machineries.

The decrease of \$5.3 million in trade payables was in line with the decrease in inventory level for 3Q13.

Other payables increased by \$0.4 million were mainly due to receipt of deposit on sales of machineries amounting to \$1.4 million in 3Q13 which was offsetted by the payout of accrued audit fees, bonuses as well as decrease in net VAT payables.

Provision of \$9.7 million pertains to provision made for loss on share buy-back from Hongta in 4Q12.

Amount due to shareholders remains fairly constant at \$14.5 million and \$14.1 million for 4Q12 and 3Q13 respectively.

Total gross borrowings had also reduced by \$6.2 million from \$24.9 million at 4Q12 to \$18.7 million at 3Q13. This was due to repayments of bank loans and finance leases.

The Group's net current assets/liabilities position improved from a \$0.5 million net liability position in 4Q12 to \$4.4 million net assets position in 3Q13.

The Group's current ratio improves from 0.99 as at 4Q12 to 1.11 as at 3Q13, while debt/equity ratio decreases from 1.96 as at 4Q12 to 1.94 as at 3Q13. The Group's equity stands at \$39.5 million as at 3Q13.

Cash Flow

Cash inflow from operating activities of \$2.3 million in 3Q13 was mainly due to improvement in trade receivables and decrease in inventories.

Cash flow used in investing activities was noted for 3Q13 was minimal.

Cash flow used in financing activities of \$1.8 million in 3Q13 was mainly due to repayment of loan borrowings.

Cash and bank balances decreased by \$0.2 million from \$16.8 million in 2Q13 to \$16.6 million in 3Q13.

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 was disclosed to shareholders previously.

10. A commentary at the date of announcement of the 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.

Management will continue to remain cautious and conservative in its outlook, bearing in mind the renewed uncertainties in the global financial markets and signs of instabilities in many parts of the world.

11. Dividend

11(a) Any dividend declared for the current financial period reported on?

None

11(b) Any dividend declared for the corresponding period of the immediately preceding financial year?

None

11(c) Date payable

Not applicable

11(d) Books closure date

Not applicable

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

No dividend has been declared for the third quarter ended 30 September 2013.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by business or geographical segments.

Not applicable

15. A breakdown of sales as follows:

Not applicable

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-

Not applicable

17. Interested party transactions

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

During the financial year, there were related parties transactions based on terms agreed between the parties as follows:-

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Loan guarantees provided by Mr Wen Yao-Long, Mr Wen Yao-Chou, Ms Chan Hui-Chung to various financial institutions to secure credit facilities for the Group	Total facilities granted as at 30.9.2013: \$28.1 million Amount outstanding as at 30.9.2013: \$14.0 million	-
Loan from Sunny Worldwide Int'l Ltd (Amount outstanding as at 30.9.2013 is \$7.8 million)	Interest for the 9 months ended 30.9.2013: \$0.20 million	-
Loan from Mr Wen Yao-Long (Amount outstanding as at 30.9.2013 is \$7.9 million)	Interest -free loan	-

Except for the above, there was no other interested person transaction, as defined in Chapter 9 of the Listing Manual of the SGX-ST, entered into the Group or by the Company during the financial period ended 30 September 2013.

BY ORDER OF THE BOARD

Wen Yao-Long
Executive Chairman & CEO
5 November 2013