
HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2007 (THE "RESULTS ANNOUNCEMENT")

- a) We note on Pg 1 of the results announcement that the Company reported a net loss after tax of RM7.2m, as well as a sharp decrease in "Revenue" of 62.1% from RM32.3m to RM12.2m. In addition, the Company's working capital position is negative, amounting to RM5.6m. In view of the above, to provide the directors' views whether the Company is able to meet its short term obligations as and when they fall due, and the basis for their views.

Company's Response:

Whilst liquidity is tight, the Company is managing the issues of short term obligations through continuous negotiations with creditors and at the same time, pursuing for working capital loans to mitigate the tight liquidity. With these measures, coupled with increased sales after June 2007, the Company is confident that it is able to meet its short term obligations, as & when they fall due.

- b) We note on Pg 9 of the announcement that the reduction in "Current Assets" of RM19.0m from RM42.2m to RM23.2m is "partially offset by the increase in other receivables and prepayments of RM5.7m, mainly due to the deposits made for the acquisition of IC packaging machines for the China subsidiary." In view of the above, to provide the following:-

- (i) Details on the payment obligations in relation to the acquisition of the IC packaging machines, including the total amount to be paid for such acquisition, when such amount is payable, etc;

Company's Response:

As at todate, a total of US\$9.1 million has been used for the acquisition of the IC packaging machines and the payment obligation to complete the IC packaging line is approximately US\$6.6 million. There is no specific timeframe fixed for the payment obligations.

- (ii) Elaborate on how much increase in production capacity is expected with the acquisition of IC packaging machines; and

Company's Response

Currently the Company is in the midst of getting all the machines ready for the complete production line setup. During this period when the new production lines are being setup,

production will not be available. However, once the new IC packaging line is ready, it is able to provide a packaging capacity of up to 10million pieces monthly.

(iii) Directors' views on the outlook for the expansion of the China subsidiary, and the basis for their views.

Company's Response

The Management remains positive of the move towards the IC packaging technique in its China subsidiary as this technology will provide a source of growth for the Group that is necessary to keep up with the developments in the product technology for customer retention as well as establishment of new customers. In addition, it will enable the Group to become less reliant on IC suppliers, and maintain better control of the cost and quality of the ICs used in the production of its modules.

BY ORDER OF THE BOARD
ADVANCE MODULES GROUP LIMITED

Vincent Tan Hian Chong
Director

3 September 2007