



The Interconnect Solutions Provider

## MFS TECHNOLOGY LTD

### Financial Statements for the 3Q FY 2006 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

These figures have not been audited.

	Group			Group		
	3 months ended 30 June			9 months ended 30 June		
	2006	2005	%	2006	2005	%
	S\$'000	S\$'000	change	S\$'000	S\$'000	change
Sales	71,860	78,496	-8%	294,349	286,224	3%
Cost of sales	(66,021)	(67,432)	-2%	(243,755)	(240,225)	1%
Gross Profit	5,839	11,064	-47%	50,594	45,999	10%
Other operating income	1,659	1,444	15%	3,683	2,190	68%
Distribution costs	(1,161)	(1,257)	-8%	(6,628)	(4,604)	44%
Administrative expenses	(2,356)	(2,653)	-11%	(7,776)	(7,788)	0%
Other operating expenses	(1,752)	-	N/m	(6,918)	(1,128)	513%
Finance costs	(388)	(247)	57%	(1,152)	(712)	62%
Profit before tax	1,841	8,351	-78%	31,803	33,957	-6%
Tax	(620)	(1,623)	-62%	(3,562)	(7,576)	-53%
Profit for the period	1,221	6,728	-82%	28,241	26,381	7%
Attributable to:						
Equity holders of the Company	1,039	6,543	-84%	25,093	26,209	-4%
Minority interest	182	185	-2%	3,148	172	N/m
	1,221	6,728	-82%	28,241	26,381	7%

##### Additional information for the income statement

	Group		Group	
	3 months ended 30 June		9 months ended 30 June	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Other income including interest income	1,659	1,444	3,683	2,190
Interest on borrowings	(388)	(247)	(1,152)	(712)
Depreciation and amortisation	(2,571)	(2,388)	(7,989)	(6,863)
(Allowance)/Write back of allowance for doubtful debts, net	(139)	(140)	(315)	679
Bad debts written off	-	(645)	-	(645)
(Allowance)/Write back of allowance for stock obsolescence, net	(18)	1,183	410	999
Stocks write-down/write-off	(182)	(170)	(1,452)	(573)
Foreign exchange (loss)/gain	(642)	1,475	(3,156)	93
Adjustment for overprovision of tax in respect of prior years	(33)	9	264	9
Professional fees incurred for proposed merger transaction	(292)	-	(1,037)	-
Profit/(loss) on sale of property, plant and equipment	-	(3)	(6)	12

N/m: 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**

	Group		Company	
	S\$'000	S\$'000	S\$'000	S\$'000
	As at 30/06/2006	As at 30/09/2005	As at 30/06/2006	As at 30/09/2005
<b>Current assets</b>				
Cash and cash equivalents	70,917	71,885	3,299	957
Receivables	68,978	93,202	29,174	31,020
Inventories	42,783	38,044	-	-
Tax recoverable	593	519	241	519
Other current assets	2,226	2,828	1,524	12
	<b>185,497</b>	<b>206,478</b>	<b>34,238</b>	<b>32,508</b>
<b>Non-current assets</b>				
Investment in subsidiaries	-	-	38,888	38,318
Available for sale financial assets	6,046	2,989	-	-
Property, plant & equipment	81,175	87,313	5	-
	<b>87,221</b>	<b>90,302</b>	<b>38,893</b>	<b>38,318</b>
<b>Total assets</b>	<b>272,718</b>	<b>296,780</b>	<b>73,131</b>	<b>70,826</b>
<b>Current liabilities</b>				
Trade and other payables	65,077	90,727	1,042	1,154
Current tax	2,458	3,248	-	-
Borrowings	8,401	11,358	-	-
Provisions	1,133	-	-	-
	<b>77,069</b>	<b>105,333</b>	<b>1,042</b>	<b>1,154</b>
<b>Non-current liabilities</b>				
Borrowings	14,244	15,003	-	-
Deferred tax liabilities	2,367	3,294	-	-
	<b>16,611</b>	<b>18,297</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>93,680</b>	<b>123,630</b>	<b>1,042</b>	<b>1,154</b>
	<b>179,038</b>	<b>173,150</b>	<b>72,089</b>	<b>69,672</b>
<b>Share capital and reserves</b>				
Share capital and premium *	69,487	66,035	69,487	66,035
Foreign currency translation reserve	(2,909)	(935)	-	-
Other reserves	3,948	987	949	1,022
Retained earnings	90,800	91,868	1,653	2,615
Interest of shareholders of the Company	161,326	157,955	72,089	69,672
Minority interest	17,712	15,195	-	-
<b>Total Equity</b>	<b>179,038</b>	<b>173,150</b>	<b>72,089</b>	<b>69,672</b>

\* As a result of the Companies (Amendment) Act 2005 which came into effect on 30 January 2006, the concept of the authorized share capital and par value has been abolished. The amount standing to the credit of the share premium account has been transferred to the Company's share capital account in the current period.

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

	As at 30/06/2006		As at 30/09/2005	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	-	8,401	-	11,358
Amount repayable after one year	-	14,244	-	15,003

**1(b)(iii) Details of any collateral**

As at 30 June 2006, there were no secured borrowings.

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

**Consolidated Cash Flow Statements**

	3 months ended 30 June		9 months ended 30 June	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
<b>Cash flows from operating activities</b>				
Profit before taxation	1,841	8,351	31,803	33,957
Adjustments for: -				
Depreciation of fixed assets	2,571	2,388	7,989	6,863
Interest income	(85)	(139)	(366)	(275)
Interest expense	388	247	1,152	712
Loss/(gain) on sale of property, plant and equipment	-	3	6	(12)
Share-based payment expenses	183	183	602	368
Write-off of property, plant and equipment	-	73	-	76
<b>Operating cash flow before working capital changes</b>	<b>4,898</b>	<b>11,106</b>	<b>41,186</b>	<b>41,689</b>
Changes in operating assets and liabilities				
Receivables	11,700	10,225	23,857	29,766
Stock	7,233	(729)	(4,739)	2,182
Other assets	106	(805)	527	447
Trade and other payables	(8,100)	(8,640)	(24,910)	(39,481)
Provisions	(443)	-	1,133	(80)
Translation adjustment	(387)	(326)	(462)	372
<b>Cash generated from operations</b>	<b>15,007</b>	<b>10,831</b>	<b>36,592</b>	<b>34,895</b>
Income tax paid	(1,506)	(2,573)	(5,236)	(6,827)
<b>Net cash inflow from operating activities</b>	<b>13,501</b>	<b>8,258</b>	<b>31,356</b>	<b>28,068</b>
<b>Cash flow from investing activities</b>				
Payment for property, plant and equipment	(941)	(2,314)	(4,296)	(9,190)
Investment in available for sale assets	-	-	-	(2,989)
Interest received	85	139	366	275
Proceeds from the sale of property, plant and equipment	1	2	20	17
<b>Net cash outflow from investing activities</b>	<b>(855)</b>	<b>(2,173)</b>	<b>(3,910)</b>	<b>(11,887)</b>
<b>Cash flow from financing activities</b>				
Net proceeds from issues of shares	2,207	34	2,755	814
Interest paid	(388)	(247)	(1,152)	(712)
(Repayment)/proceeds from short-term bank loans	(860)	84	(2,512)	4,860
Dividend paid	-	(3,268)	(26,161)	(13,396)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>959</b>	<b>(3,397)</b>	<b>(27,070)</b>	<b>(8,434)</b>
<b>Net increase in cash/cash equivalents held</b>	<b>13,604</b>	<b>2,688</b>	<b>376</b>	<b>7,747</b>
<b>Cash and cash equivalents at beginning</b>	<b>57,600</b>	<b>56,233</b>	<b>71,885</b>	<b>52,518</b>
<b>Effects of exchange rate changes on balances held in foreign currencies</b>	<b>(287)</b>	<b>804</b>	<b>(1,344)</b>	<b>(540)</b>
<b>Cash and cash equivalents at end</b>	<b>70,917</b>	<b>59,725</b>	<b>70,917</b>	<b>59,725</b>

**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 for the 3 months ended**

	Attributable to equity holders of the Company					Minority Interest	Total Equity
	Share Capital and Premium	Foreign Currency Translation Reserve	Revaluation and Other Reserves *	Retained Earnings	Total		
The Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1.4.06	66,583	(2,449)	4,801	89,762	158,697	17,632	176,329
Currency translation difference	-	(460)	-	-	(460)	(108)	(568)
Fair value loss on available for sale financial assets	-	-	(339)	-	(339)	-	(339)
Net losses recognised directly in equity	-	(460)	(339)	-	(799)	(108)	(907)
Net profits	-	-	-	1,039	1,039	182	1,221
Total recognised gains and losses for the period	-	(460)	(339)	1,039	240	74	314
Employee share option scheme:							
- Value of employee services	697	-	(514)	-	183	6	189
Proceeds from shares issued	2,207	-	-	-	2,207	-	2,207
Dividend relating to FY2005 paid	-	-	-	-	-	-	-
<b>Balance at 30.06.06</b>	<b>69,487</b>	<b>(2,909)</b>	<b>3,948</b>	<b>90,801</b>	<b>161,327</b>	<b>17,712</b>	<b>179,039</b>
Balance at 1.4.05	65,985	(2,876)	518	80,433	144,060	16,330	160,390
Currency translation difference	-	898	-	-	898	291	1,189
Net gain recognised directly in equity	-	898	-	-	898	291	1,189
Net profits	-	-	-	6,543	6,543	185	6,728
Total recognised gains for the period	-	898	-	6,543	7,441	476	7,917
Employee share option scheme:							
- Value of employee services	-	-	183	-	183	4	187
Proceeds from shares issued	34	-	-	-	34	-	34
Dividend relating to FY2005 paid	-	-	-	(3,268)	(3,268)	-	(3,268)
<b>Balance at 30.06.05</b>	<b>66,019</b>	<b>(1,978)</b>	<b>701</b>	<b>83,708</b>	<b>148,450</b>	<b>16,810</b>	<b>165,260</b>

Note: \* Include available for sale reserve and share options expense reserve

### Consolidated Statement of Changes in Equity for the 3 months ended

	Share Capital and Premium	Revaluation and Other Reserves	Retained Earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<b>The Company</b>				
Balance at 1.4.06	66,583	1,457	2,667	70,707
Net loss	-	-	(1,014)	(1,014)
Total recognised loss for the period	-	-	(1,014)	(1,014)
Employee share option scheme:				
- Value of employee services	697	(508)	-	189
Proceeds from shares issued	2,207	-	-	2,207
<b>Balance at 30.06.06</b>	<b>69,487</b>	<b>949</b>	<b>1,653</b>	<b>72,089</b>
Balance at 1.4.05	65,985	541	5,232	71,758
Net profits	-	-	263	263
Total recognised gains for the period	-	-	263	263
Employee share option scheme:				
- Value of employee services	-	187	-	187
Proceeds from shares issued	34	-	-	34
Dividend relating to FY2005 paid	-	-	(3,268)	(3,268)
<b>Balance at 30.06.05</b>	<b>66,019</b>	<b>728</b>	<b>2,227</b>	<b>68,974</b>

## Consolidated Statement of Changes in Equity for the 9 months ended

	Attributable to equity holders of the Company					Minority Interest	Total Equity
	Share Capital and Premium	Foreign Currency Translation Reserve	Revaluation and Other Reserves *	Retained Earnings	Total		
The Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance at 1.10.05 as previously reported	66,035	(935)	-	92,855	157,955	15,195	173,150
Effect of changes in accounting policies							
- Adjusted retrospectively	-	-	987	(987)	-	-	-
- Adjusted prospectively	66,035	(935)	987	91,868	157,955	15,195	173,150
Balance at 1.10.05 restated	66,035	(935)	3,143	91,868	160,111	15,195	175,306
Currency translation difference	-	(1,974)	-	-	(1,974)	(653)	(2,627)
Fair value gains on available for sale financial assets	-	-	900	-	900	-	900
Net gains and losses recognised directly in equity	-	(1,974)	900	-	(1,074)	(653)	(1,727)
Net profits	-	-	-	25,093	25,093	3,148	28,241
Total recognised gains and losses for the period	-	(1,974)	900	25,093	24,019	2,495	26,514
Employee share option scheme:							
- Value of employee services	697	-	(95)	-	602	22	624
- Proceeds from shares issued	2,755	-	-	-	2,755	-	2,755
Dividend relating to FY2005 paid	-	-	-	(26,161)	(26,161)	-	(26,161)
<b>Balance at 30.06.06</b>	<b>69,487</b>	<b>(2,909)</b>	<b>3,948</b>	<b>90,800</b>	<b>161,326</b>	<b>17,712</b>	<b>179,038</b>
Balance at 1.10.04 as previously reported	65,205	(1,627)	-	71,228	134,806	16,783	151,589
Effect of changes in accounting policies							
- Adjusted retrospectively	-	-	333	(333)	-	-	-
Balance at 1.10.04 restated	65,205	(1,627)	333	70,895	134,806	16,783	151,589
Currency translation difference	-	(351)	-	-	(351)	(161)	(512)
Net loss recognised directly in equity	-	(351)	-	-	(351)	(161)	(512)
Net profits	-	-	-	26,209	26,209	172	26,381
Total recognised gains and losses for the period	-	(351)	-	26,209	25,858	11	25,869
Employee share option scheme:							
- Value of employee services	-	-	368	-	368	16	384
- Proceeds from shares issued	814	-	-	-	814	-	814
Dividend relating to FY2004 paid	-	-	-	(10,128)	(10,128)	-	(10,128)
Dividend relating to FY2005 paid	-	-	-	(3,268)	(3,268)	-	(3,268)
<b>Balance at 30.06.05</b>	<b>66,019</b>	<b>(1,978)</b>	<b>701</b>	<b>83,708</b>	<b>148,450</b>	<b>16,810</b>	<b>165,260</b>

Note: \* Include available for sale reserve and share options expense reserve

	Share Capital and Premium	Revaluation and Other Reserves	Retained Earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<b>The Company</b>				
Balance at 1.10.05 as previously stated	66,035	-	2,759	68,794
Effect of changes in accounting policies - Adjusted retrospectively	-	1,022	(144)	878
Balance at 1.10.05 restated	66,035	1,022	2,615	69,672
Net profits	-	-	25,199	25,199
Total recognised gains for the period	-	-	25,199	25,199
Employee share option scheme:				
- Value of employee services	697	(73)	-	624
Proceeds from shares issued	2,755	-	-	2,755
Dividend relating to FY2005 paid	-	-	(26,161)	(26,161)
<b>Balance at 30.06.06</b>	<b>69,487</b>	<b>949</b>	<b>1,653</b>	<b>72,089</b>
Balance at 1.10.04 as previously stated	65,205	-	5,564	70,769
Effect of changes in accounting policies - Adjusted retrospectively	-	344	(344)	-
Balance at 1.10.04 restated	65,205	344	5,220	70,769
Net profits	-	-	10,403	10,403
Total recognised gains for the period	-	-	10,403	10,403
Employee share option scheme:				
- Value of employee services	-	384	-	384
Proceeds from shares issued	814	-	-	814
Dividend relating to FY2004 paid	-	-	(10,128)	(10,128)
Dividend relating to FY2005 paid	-	-	(3,268)	(3,268)
<b>Balance at 30.06.05</b>	<b>66,019</b>	<b>728</b>	<b>2,227</b>	<b>68,974</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 30 September 2005, the Company issued 96,000, 316,500, 1,872,250 and 2,133,750 ordinary shares of \$0.10 each at the price of S\$0.18, \$0.21, \$0.76 and \$0.585 respectively upon the exercise of options granted under the MFS Share Options Scheme.

As at 30 June 2006, options to subscribe for 7,058,250 ordinary shares under the MFS Share Option Scheme remain outstanding against 12,249,000 at 30 September 2005.

**2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures were reviewed in accordance with the Singapore Statement of Auditing Practice 11, Review of Interim Financial Statement.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

**Extracts from Auditors Report**

We have been engaged by the Company to review the interim financial information for the third quarter and nine months ended 30 June 2006 as set out in the Announcement dated 7 August 2006 for the third quarter and nine months ended 30 June 2006 ("Announcement"), as required under Rule 25.6(c) of the Singapore Code on Take-overs and Mergers. We have reviewed Sections 1 and 4 to 7 of the Announcement, referred to as "interim financial information" for the purpose of this letter.

Appendix 7.2 of the Singapore Exchange Securities Trading Limited Listing Manual ("Listing Manual") requires the preparation of interim financial information to be in compliance with the relevant provisions thereof. The interim financial information is the responsibility of, and has been approved by, the directors. Our responsibility is to issue a report solely for the use of the directors on the interim financial information based on our review.

We conducted our review in accordance with the Singapore Statement of Auditing Practice 11, Review of Interim Financial Information. A review of interim financial information consists principally of applying analytical review procedures to financial data and making inquiries of, and having discussions with, persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with Singapore Standards on Auditing and does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The comparative interim financial information as at and for the third quarter and nine months ended 30 June 2005 have not been audited or reviewed.

Based on our review, nothing has come to our attention that causes us to believe that there are any material modifications that need to be made to the interim financial information for the third quarter and nine months ended 30 June 2006 for it to be in accordance with Appendix 7.2 of the Listing Manual.

**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 accounting policies and methods of computation applied by the Group are consistent with those used in its recently audited financial statements, except for changes made to comply with the following Singapore Financial Reporting Standards (FRS) that became effective in this financial year:

FRS 1 (revised 2004) – Presentation of Financial Statements  
FRS 2 (revised 2004) – Inventories  
FRS 8 (revised 2004) – Accounting Policies, Changes in Accounting Estimates and Errors  
FRS 10 (revised 2004) – Events after the Balance Sheet Date  
FRS 16 (revised 2004) – Property, Plant and Equipment  
FRS 17 (revised 2004) – Leases  
FRS 21 (revised 2004) – The Effects of Changes in Foreign Exchange Rates  
FRS 24 (revised 2004) – Related Party Disclosure  
FRS 27 (revised 2004) – Consolidated and Separate  
FRS 32 (revised 2004) – Financial Instruments: Disclosure and Presentation  
FRS 33 (revised 2004) – Earnings per Share  
FRS 36 (revised 2004) – Impairment of Assets  
FRS 39 (revised 2004) – Financial Instruments: Recognition and Measurement  
FRS 102 – Share-based Payment

The adoption of the above FRS did not result in substantial changes to the Group's accounting policies except as disclosed in Note 5.

**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**

FRS 39 – Financial Instruments: Recognition and Measurement

Under FRS 39 (revised 2004), the investments in equity interests of other companies are classified as "available-for-sale financial assets" and are initially recognized at fair value and subsequently measured at fair value at the balance sheet date with all gains and losses other than impairment taken to equity. Impairment losses are taken to the income statement in the period it arises. On disposal, gains and losses previously taken to equity are included in the income statement. This change was effected prospectively from 1 October 2005 and consequently affected the following balance sheet items as at 1 October 2005.

	<b>Group</b> S\$'000	<b>Company</b> S\$'000
Increase in:		
Available-for-sale financial assets		
- Non-current assets	2,156	-
Fair value reserve	2,156	-

The effects of adopting FRS 39 also resulted in the further increase on the Group's equity of \$0.9 million for 3Q FY2006. There was no impact on the Company's equity for the same period.

FRS 102 – Share-based Payment

Previously, the provision of share options to employee did not result in any charge in the income statement. The Group and Company recognized an increase in share capital and share premium when the options are exercised. On adoption of FRS 102, an expense is recognized in the income statement for share options issued with a corresponding increase in the share option reserve.

This change was effected retrospectively for share options granted after 22 November 2002 and not yet vested by 1 October 2005. Consequently, the following previously reported balances as at/for the year ended 30 September 2005 were adjusted.

	<b>Group</b> S\$'000	<b>Company</b> S\$'000
Increase/(decrease) in:		
Retained earnings	(987)	(144)
Share options reserve	987	1,022
Investment in subsidiaries	Nil	878
Administrative expenses	688	83
Minority interest	(23)	Nil

The impact of FRS 102 on the Group's and the Company's profit and loss account for 3Q FY2006 is \$0.2 million and \$0.02 million respectively.

**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**

	Group Figures			
	3 months ended 30 June		9 Months ended 30 June	
	2006	2005 (restated)	2006	2005 (restated)
Earnings per ordinary share for the period based on profit attributable to shareholders:-				
(i) Based on weighted average no. of ordinary shares in issue	0.16	1.00	3.83	4.02
(ii) On a fully diluted basis	0.16	1.00	3.82	4.01

**Note:** For the purpose of calculating the diluted earnings per share, the weighted average number of ordinary shares in issue had been adjusted to reflect the dilutive effect arising from the exercise of all outstanding share options granted to employees. The number of such shares issue is added to the number of ordinary shares outstanding in the computation of diluted earnings per ordinary share. No adjustment is made to the profit after tax attributed to shareholders.

**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**

	Group		Company	
	As at 30/06/2006	As at 30/09/2005	As at 30/06/2006	As at 30/09/2005
Net asset value per ordinary share based on existing issued share capital at the end of the period reported on (in cents):	24.5	24.2	10.9	10.5

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

Group sales for the 3Q FY2006 ended 30 June 2006 declined by 8.5% to \$71.9 million compared to \$78.5 million in the previous corresponding period. This was due to the slow down in our FPC division especially from the display and imaging systems segment and lower sales to one customer from the data storage segment. Weaker demand from key customers as well as slower launches for new programs coupled with earlier than planned EOL (end-of-life) for several programs contributed to the slow down. Our earlier diversification efforts into new customers, new markets and new products are key parts of the Group's continuing strategy to address this. The FPC division contributed 81.9% of the reported sales with the balance from the PCB division.

The PCB division delivered encouraging results in 3Q FY2006, achieving a revenue growth of 19.9% from \$10.9m in 3Q FY2005 to \$13.1m in the current quarter. The increase in revenue was due to higher demand from existing customers as well as secured orders from new customers. The strong performance was due to the increase contribution from our niche in high layer count and thick copper PCB for application in the power supply industry. We will continue to grow this segment of the market.

In addition, the continued weakening of the USD also adversely affected the Group's predominantly USD sales.

Due to the lower utilisation at our FPC manufacturing facilities resulting in higher COGS as well as the shift in product mix towards assembly products with higher component content, the group's gross margin declined from 14.1% to 8.1%. The decline in gross margin was also impacted by lower manufacturing yield. The lower utilisation rate is temporary as we are accelerating the transfer of high volume and labour intensive programs to take advantage of the low cost manufacturing facilities in Malaysia and China. We have also undertaken measures by upgrading production equipment and process technologies to improve our manufacturing yield as product complexities increase.

In line with the lower sales, the group's distribution and administrative expenses for the three months ended 30 June 2006 decreased by \$0.4 million to \$3.5 million from \$3.9 million in previous corresponding period. Other operating income increased by \$0.2 million arising mainly from the higher recovery of scrap materials. Other operating expenses were largely foreign exchange losses amounting to \$0.6 million due to the downward trend of the USD against SGD, other charges incurred for product returns amounting to \$0.7m as well as \$0.3 million incurred for professional fees incurred in relation to the proposed merger with Multi-Fineline Electronix Inc.

The Group's tax rate for the quarter increased to 33.7% compared to 19.4% in the corresponding period. This was mainly due to nil contribution from our tax-free China FPC facility as well as higher disallowed expenses as a percentage of profit before tax in our Singapore FPC subsidiary this quarter. The tax-free China FPC facility will continue to benefit from the accelerated transfer of activities. The Group's YTD tax rate remains at 11.2% due to the DEI award as well as tax-free contribution from the China FPC facility.

For 3Q FY2006, the Group achieved a profit after tax attributable to shareholders of \$1.0 million, a decline of 84.1% from \$6.5 million in the previous corresponding quarter.

The Group's working capital remained positive with strong cashflow generated from operations. Operating cashflow rose 38% from \$10.8 million in 3Q FY2005 to \$15.0 million in the current quarter. Cash and cash equivalent stood at \$70.9 million as of 30 June 2005.

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

In the SGXNET prospect statement released for 2Q FY2006 ended 31 March 2006, the Directors made a prospect statement that the business environment in which the Group operates continues to remain competitive. The Group's performance for the 3Q FY2006 ended 30 June 2006 was in line with the above guidance.

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

Business environment in which the Group operates continues to remain competitive. Our backlog orders as at 30 June 2006 was approximately \$170 million. However, some of these orders are spread over a period of up to twelve months.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? Nil

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year? No

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

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

Not Applicable.

**13. The aggregate value of interested person transactions conducted pursuant to the general mandate in 3Q FY2006 are as follows:-**

Nature and name of interested person	Aggregate value of all interested person transactions during the financial year 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)
Sales to Wearnes Precision (Private) Limited	Nil	46,656
Subcontract services rendered by Wearnes Electronics (M) Sdn Bhd	Nil	1,253,729

**BY ORDER OF THE BOARD**

Submitted by Peter Tan, Company Secretary on 07/08/2006 to the SGX