

## **FOR IMMEDIATE RELEASE**

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## **Advance Modules posts 1H2006 revenue of RM32.3 million amidst volatile global semiconductor industry**

- ***Incurs net loss of RM188,000 due to temporary delays in potential new orders***
- ***Remains focused on improving cost efficiencies and growing its business***

**SINGAPORE – 14 August 2006** – In spite of the volatility of the global semiconductor industry in the first half of 2006, mainboard-listed **Advance Modules Group Limited** (“**Advance Modules**” or the “**Group**”), a Malaysia-based semiconductor manufacturer of DRAM memory modules and flash memory products serving the global markets, posted sales of RM32.3 million for the six months ended 30 June 2006 (“1H 2006”).

The half-time revenue was a 22.0% decline from RM41.4 million in the previous corresponding period, mainly due to the unstable industry conditions which resulted in customers temporarily delaying their new orders.

With fewer orders placed in 1H 2006, revenue from the Group's **OEM products** produced for multinational corporations such as Infineon Technologies AG dipped by RM4.1 million year-on-year.

Sales of its proprietary **AM branded** products – marketed under the brand names of “Advance Modules”, “AM Plus+” and “AMV” for the US, Europe and Asia Pacific markets – declined by RM5.0 million as the Group tightened its credit policies and adopted a more selective approach in securing orders, in light of the delay in collection of a major trade receivable account.

Commenting on its results, Group Managing Director of Advance Modules Mr. Vincent Tan said, “Our financial performance in the first half of 2006 took a short-term hit due to the volatile semiconductor industry. This was coupled with the impact of our Group's outstanding trade receivable, if not for which, we believe our 1H 2006 results would have been comparable to last year's.”

“Even amidst challenging industry conditions, our customers are demanding newer and faster memory modules and flash memory products, in response to the continued market demand of more advanced personal technology products. In this aspect, the Group's focus on product development, and close collaboration with our principal flash supplier Samsung Semiconductor, has paid off as we see the sales of DDR2 memory modules growing steadily,” added Mr. Tan.

Whilst the Group's absolute gross profit decreased by 7.1%, from RM10.0 million in 1H2005 to RM9.3 million in 1H2006, the procurement of integrated circuits (“ICs”) at an improved pricing has helped to lower its cost of sales, thereby improving its gross profit margin in 1H2006 at 28.8% compared against 24.2% in 1H2005.

On an operating level, the Group's profit declined at a higher rate than its revenue mainly due to higher administrative expenses and professional fees post-listing, as well as a foreign exchange loss brought about by the delay in amount due from the outstanding trade receivable.

Consequently, profit before tax in 1H 2006 decreased by 80.8% to RM791,000. After providing for a higher tax expense of RM970,000 due to a larger proportion of profits contributed by its Malaysia subsidiary, where the tax rate is relatively higher than that of its PRC operations, the Group reported a net loss of RM188,000.

Based on its latest results, the Group recorded a loss per share of 0.1 RM cents, with a net asset value per ordinary share of 69.8 RM cents as at 30 June 2006.

### **Looking Ahead**

Notwithstanding the challenging business environment and interim financial setback, the Group remains convinced of the viability of its business and growth strategies – namely, its focus on developing new products, improving cost efficiencies and expanding its customer base. Besides concentrating its efforts on growing the sales of both its proprietary AM branded and OEM products, the Group's efforts in integrating its operations has not only helped to control the costs and quality of its raw materials, but also reduced its reliance on IC suppliers and susceptibility to shortages in the market.

In addition, the Group is working actively on possible strategic alliances to develop higher value memory product segments, as well as seeking business opportunities outside of the industry.

While industry reports have indicated that the overall demand for memory products is expected to remain robust in the next 12 months, the highly cyclical nature of the semiconductor industry means that short-term demand and prices could remain volatile.

Nonetheless, barring any unforeseen circumstances, the Directors expect the global memory modules market to improve in the second half of the year, which augur well for the Group's business prospects. The Group expects to catch up on the delayed sales orders that were supposed to take place in the first half of the year. The anticipated recovery of the outstanding major trade receivables is also expected to contribute to an improvement in the Group's working capital.

Although there can be no assurance that all of the outstanding orders will ultimately result in sales and revenue from customers, Advance Modules' management believes that the backlog suggests that the demand for its products and services remain strong. The

Management is committed to work aggressively to tighten the Group's credit related issues while pursuing its ongoing strategic initiatives. The Group is confident that the initiatives to grow the business will provide Advance Modules with demonstrable benefits moving forward.

### **About Advance Modules Group Limited**

Advance Modules, listed on the Main Board of the Singapore Exchange Securities Trading Limited on 19 September 2005, is renowned for being one of the pioneer memory modules manufacturers in Malaysia that specialises in providing innovative and value-added memory products solutions. The Group, through its subsidiary companies, is principally engaged in the manufacturing of a wide range of memory modules and flash memory products that is used in many of today's electronic applications.

The history of the Group started when its wholly owned subsidiary, Advance Modules Sdn Bhd commenced operation in 1999 as a contract manufacturer of memory modules. Today, the Group manufactures OEM products for multinational corporations such as Infineon Technologies AG as well as manufactures its own proprietary brands of memory modules, which are marketed under "Advance Modules", "AM Plus+" and "AMV".

The memory modules products manufactured by Advance Modules are suitable for use in personal computers, laptops, office servers and workstations while the flash memory products are used for digital cameras, mobile phones and portable media players.

Advance Modules has manufacturing facilities located in Shah Alam, Malaysia and Shanghai, PRC, as well as sales offices in Hong Kong and USA to provide technical and sales support to customers and end-users overseas. Its products are marketed worldwide particularly in the Asia Pacific region, the Americas and Europe. With its emphasis on product development and competitive cost structure, it is confident of building a stronger presence on the international front with its innovative products.

More information about Advance Modules is available through the corporate website at [www.advancemodules.com](http://www.advancemodules.com).

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