

# Excelpoint Technology Ltd (Company Reg. No. 200103280C)

## PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF Q2 RESULTS

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

### 1(a)(i) STATEMENT OF PROFIT AND LOSS FOR THE HALF YEAR ENDED 30 JUNE 2005 AND 30 JUNE 2004

	GROUP					
	2Q2005	2Q2004	Increase/ (Decrease)	HY2005	HY2004	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	155,942	287,455	(45.8)	346,891	546,117	(36.5)
Cost of sales	(142,220)	(268,643)	(47.1)	(320,027)	(510,792)	(37.3)
<b>Gross profit</b>	<b>13,722</b>	<b>18,812</b>	<b>(27.1)</b>	<b>26,864</b>	<b>35,325</b>	<b>(24.0)</b>
Other income	362	230	57.4	666	515	29.3
Sales and distribution costs	(5,598)	(5,171)	8.3	(11,659)	(10,230)	14.0
General and administrative expenses	(5,316)	(4,863)	9.3	(10,500)	(9,136)	14.9
Manufacturing overheads	(38)	-	N.M. #	(38)	-	N.M. #
Other expenses	(1,893)	(737)	156.9	(2,324)	(1,786)	30.1
<b>Operating profit</b>	<b>1,239</b>	<b>8,271</b>	<b>(85.0)</b>	<b>3,009</b>	<b>14,688</b>	<b>(79.5)</b>
Finance costs	(632)	(1,174)	(46.2)	(1,348)	(2,135)	(36.9)
<b>Profit before taxation</b>	<b>607</b>	<b>7,097</b>	<b>(91.5)</b>	<b>1,661</b>	<b>12,553</b>	<b>(86.8)</b>
Taxation	(570)	(1,182)	(51.8)	(1,096)	(2,283)	(52.0)
<b>Net profit</b>	<b>37</b>	<b>5,915</b>	<b>(99.4)</b>	<b>565</b>	<b>10,270</b>	<b>(94.5)</b>

# N.M. – Not meaningful

### 1(a)(ii) NOTES TO THE PROFIT AND LOSS STATEMENT

	2Q2005 S\$'000	2Q2004 S\$'000	HY2005 S\$'000	HY2004 S\$'000
Write back of provision for doubtful trade debts	52	98	122	99
Write back of provision for stock obsolescence	129	1,550	192	1,564
Interest expense	(632)	(1,174)	(1,348)	(2,135)
Provision for doubtful trade debts	(2,355)	(682)	(2,362)	(772)
Provision for stock obsolescence	(4)	(726)	(368)	(1,715)
Gain on disposal of fixed assets	40	1	38	1
Depreciation and amortisation	(387)	(378)	(776)	(742)
Loss on foreign exchange	(303)	(31)	(524)	(22)
Overprovision of tax in respect of prior years	3	-	8	-

**1(b)(i) Balance sheets (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.**

Balance sheets	GROUP		COMPANY	
	30/06/05	31/12/04	30/06/05	31/12/04
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Non current assets</b>				
Fixed assets	10,051	10,320	14	15
Club memberships, at cost	418	412	-	-
Investments in subsidiary companies	-	-	19,399	19,399
Investment in associated company	-	2	-	-
<b>Current assets</b>				
Trade debtors	128,287	119,271	-	-
Other debtors	2,639	2,282	-	22
Stocks	69,516	99,945	-	-
Amounts due from subsidiary companies	-	-	32,452	33,066
Cash and bank balances	20,230	20,683	727	556
	220,672	242,181	33,179	33,644
<b>Current liabilities</b>				
Trade creditors and accruals	(111,977)	(125,819)	(7)	(107)
Other creditors	(7,249)	(8,743)	(7)	-
Amounts due to bankers	(38,074)	(46,186)	-	-
Hire purchase creditors	(297)	(317)	-	-
Provision for taxation	(1,877)	(862)	(221)	-
	(159,474)	(181,927)	(235)	(107)
<b>Net current assets</b>	61,198	60,254	32,944	33,537
<b>Non current liabilities</b>				
Amounts due to bankers	(341)	(389)	-	-
Hire purchase creditors	(524)	(705)	-	-
Deferred taxation	(406)	(402)	-	-
	<b>70,396</b>	<b>69,492</b>	<b>52,357</b>	<b>52,951</b>
<b>Shareholders' equity</b>				
Share capital	24,301	24,301	24,301	24,301
Share premium	27,055	27,055	27,055	27,055
Reserves	19,040	18,136	1,001	1,595
	<b>70,396</b>	<b>69,492</b>	<b>52,357</b>	<b>52,951</b>

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

**Amount repayable in one year or less, or on demand**

<b>As at 30/06/2005 (S\$'000)</b>		<b>As at 31/12/2004 (S\$'000)</b>	
Secured	Unsecured	Secured	Unsecured
5,764	32,607	4,351	42,152

**Amount repayable after one year**

<b>As at 30/06/2005 (S\$'000)</b>		<b>As at 31/12/2004 (S\$'000)</b>	
Secured	Unsecured	Secured	Unsecured
865	Nil	1,094	Nil

**Details of any collateral**

The Group's borrowings as at 30 June 2005 consisted of amounts due to bankers and hire purchase creditors. The term loans were secured against the Group's properties together with corporate guarantee from Excelpoint Technology Ltd. Hire purchase creditors were secured over certain motor vehicles owned by the Group.

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

<b>Group</b>	<b>2Q2005</b>	<b>2Q2004</b>	<b>HY2005</b>	<b>HY2004</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from operating activities</b>				
Profit before taxation	607	7,097	1,661	12,553
Adjustments for:				
Amortisation of intangible assets	-	17	-	36
Write off of investment in associated company	2	-	2	-
Interest income	(62)	(145)	(98)	(186)
Interest expense	632	1,174	1,348	2,135
Depreciation of fixed assets	387	361	776	706
Gain on disposal of fixed assets	(40)	(1)	(38)	(1)
<b>Operating cash flows before reinvestment in working capital</b>	<b>1,526</b>	<b>8,503</b>	<b>3,651</b>	<b>15,243</b>
(Increase)/decrease in stocks	(4,200)	4,274	30,429	(22,040)
Decrease/(increase) in debtors	17,193	(9,150)	(9,373)	(36,429)
(Decrease)/increase in creditors	(6,197)	(1,367)	(15,335)	40,348
<b>Cash flows from/(used in) operations</b>	<b>8,322</b>	<b>2,260</b>	<b>9,372</b>	<b>(2,878)</b>
Interest received	62	145	98	186
Interest paid	(632)	(1,174)	(1,348)	(2,135)
Income tax paid	(169)	(291)	(123)	(655)
<b>Net cash flows from/(used in) operating activities</b>	<b>7,583</b>	<b>940</b>	<b>7,999</b>	<b>(5,482)</b>
<b>Cash flows from investing activities</b>				
Purchase of fixed assets	(353)	(414)	(532)	(708)
Proceeds on disposal of fixed assets	124	48	124	48
<b>Net cash flows used in investing activities</b>	<b>(229)</b>	<b>(366)</b>	<b>(408)</b>	<b>(660)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from issuance of ordinary shares	-	-	-	34,047
Repayment of bank loans	(75)	(91)	(150)	(190)
(Decrease)/increase in bills payable	(10,031)	28,955	(8,010)	31,070
Decrease in secured bank overdraft	-	(553)	-	(227)
Decrease in amounts due to directors	(129)	(17)	-	(21)
Payments of hire purchase creditors	(145)	(50)	(202)	(155)
Movement in pledged fixed deposits	-	3,749	-	(88)
Dividends	(1,215)	-	(1,215)	-
<b>Net cash flows (used in)/from financing activities</b>	<b>(11,595)</b>	<b>31,993</b>	<b>(9,577)</b>	<b>64,436</b>
Net (decrease)/increase in cash and cash equivalents	(4,241)	32,567	(1,986)	58,294
Currency realignment	1,084	514	1,533	331
Cash and cash equivalents at beginning of financial period	23,387	45,797	20,683	20,253
<b>Cash and cash equivalents at end of financial period</b>	<b>20,230</b>	<b>78,878</b>	<b>20,230</b>	<b>78,878</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.**

**HY2005 – Group**

<b>The Group</b>	<b>Share capital S\$'000</b>	<b>Capital reserve S\$'000</b>	<b>Revenue reserve S\$'000</b>	<b>Foreign currency translation reserve S\$'000</b>	<b>Share premium S\$'000</b>	<b>Shareholders' equity S\$'000</b>
<b>As at 1 January 2005</b>	24,301	20	20,446	(2,330)	27,055	69,492
Net profit for the half year	-	-	565	-	-	565
Dividends	-	-	(1,215)	-	-	(1,215)
Transfer to capital reserves	-	8	(8)	-	-	-
Foreign currency translation adjustment	-	-	-	1,554	-	1,554
<b>As at 30 June 2005</b>	<b>24,301</b>	<b>28</b>	<b>19,788</b>	<b>(776)</b>	<b>27,055</b>	<b>70,396</b>
<b>As at 1 January 2004</b>	17,399	12	8,274	(318)	-	25,367
Net profit for the half year	-	-	10,270	-	-	10,270
Issuance of ordinary shares	6,902	-	-	-	-	6,902
Foreign currency translation adjustment	-	-	-	329	-	329
Premium on issuance of ordinary shares	-	-	-	-	28,991	28,991
Expenses on issuance of ordinary shares	-	-	-	-	(1,846)	(1,846)
<b>As at 30 June 2004</b>	<b>24,301</b>	<b>12</b>	<b>18,544</b>	<b>11</b>	<b>27,145</b>	<b>70,013</b>

**2Q2005 – Group**

<b>The Group</b>	<b>Share capital S\$'000</b>	<b>Capital reserve S\$'000</b>	<b>Revenue reserve S\$'000</b>	<b>Foreign currency translation reserve S\$'000</b>	<b>Share premium S\$'000</b>	<b>Shareholders' equity S\$'000</b>
<b>As at 1 April 2005</b>	24,301	28	20,966	(1,872)	27,055	70,478
Net profit for the quarter	-	-	37	-	-	37
Dividends	-	-	(1,215)	-	-	(1,215)
Foreign currency translation adjustment	-	-	-	1,096	-	1,096
<b>As at 30 June 2005</b>	<b>24,301</b>	<b>28</b>	<b>19,788</b>	<b>(776)</b>	<b>27,055</b>	<b>70,396</b>
<b>As at 1 April 2004</b>	24,301	12	12,629	(684)	27,145	63,403
Net profit for the quarter	-	-	5,915	-	-	5,915
Foreign currency translation adjustment	-	-	-	695	-	695
<b>As at 30 June 2004</b>	<b>24,301</b>	<b>12</b>	<b>18,544</b>	<b>11</b>	<b>27,145</b>	<b>70,013</b>

**HY2005 –Company**

<b>The Company</b>	<b>Share capital S\$'000</b>	<b>Revenue reserve S\$'000</b>	<b>Share premium S\$'000</b>	<b>Shareholders' equity S\$'000</b>
<b>As at 1 January 2005</b>	24,301	1,595	27,055	52,951
Net profit for the half year	-	621	-	621
Dividends	-	(1,215)	-	(1,215)
<b>As at 30 June 2005</b>	<b>24,301</b>	<b>1,001</b>	<b>27,055</b>	<b>52,357</b>
<b>At 1 January 2004</b>	17,399	(47)	-	17,352
Net profit for the half year	-	190	-	190
Issuance of ordinary shares	6,902	-	-	6,902
Premium on issuance of ordinary shares	-	-	28,991	28,991
Expenses on issuance of ordinary shares	-	-	(1,846)	(1,846)
<b>As at 30 June 2004</b>	<b>24,301</b>	<b>143</b>	<b>27,145</b>	<b>51,589</b>

**2Q2005 –Company**

<b>The Company</b>	<b>Share capital S\$'000</b>	<b>Revenue reserve S\$'000</b>	<b>Share premium S\$'000</b>	<b>Shareholders' equity S\$'000</b>
<b>As at 1 April 2005</b>	24,301	1,760	27,055	53,116
Net profit for the quarter	-	456	-	456
Dividends	-	(1,215)	-	(1,215)
<b>As at 30 June 2005</b>	<b>24,301</b>	<b>1,001</b>	<b>27,055</b>	<b>52,357</b>
<b>At 1 April 2004</b>	24,301	18	27,145	51,464
Net profit for the quarter	-	125	-	125
<b>As at 30 June 2004</b>	<b>24,301</b>	<b>143</b>	<b>27,145</b>	<b>51,589</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.**

N.A.

**2. Whether the figures have been audited or reviewed, in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by our auditors.

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

N.A.

**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 Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2004 except for:-

- (a) The adoption of the following new Financial Reporting Standard (FRS) that is mandatory for financial years beginning on or after 1 January 2005:-

FRS 39                      Financial Instruments: Recognition and Measurement; and

- (b) The change in presentation of the analysis of expenses based on “function of expense” method, instead of “nature of expense” method, which provides more beneficial information. The comparative figures in the profit and loss account for 2Q2004 and HY2004 have been reclassified accordingly.

**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.**

In accordance with the provisions of FRS 39, the foreign exchange forward contracts entered into by the Group had resulted in a fair value adjustment of forward contract amounting to a loss of \$51,000. The adoption of FRS 39 has no material impact on the financial statements prior to 1 January 2005.

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

Earnings per share (EPS)	Group			
	2Q2005	2Q2004	HY2005	HY2004
Based on weighted average number of ordinary shares (cents)	0.01	1.22	0.12	2.15
On a fully diluted basis (cents)	N.A.	N.A.	N.A.	N.A.

Earnings per share for 2Q2005 and HY2005 have been computed based on the share capital of 486,022,200 shares.

Earnings per share for 2Q2004 and HY2004 have been computed based on the share capital of 486,022,200 shares and the weighted average share capital of 477,955,854 shares respectively.

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

	Group		Company	
	30/06/05	31/12/04	30/06/05	31/12/04
Net assets value per ordinary share based on existing issued share capital as at end of period reported on	14.48 cents	14.30 cents	10.77 cents	10.89 cents

The Group's and the Company's net asset value per ordinary share have been computed based on the share capital of 486,022,200 ordinary shares of S\$0.05 each.

**8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:-**

- (a) 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; and  
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

The Group's performance in this quarter was affected by erosion in the average selling price of chips sold to major domestic mobile phone manufacturers in China, keen market competition in Singapore, higher general and administrative expenses and sales and distribution costs. Gross profit margins rose to 8.8% from 6.5% due to the shift by the Group focusing more on profitable products and services. Net profit during the quarter were significantly impacted by the provision of \$2.4 million that were set aside for doubtful debts incurred primarily in China. After taking provision into account, the Group made an after tax profit of \$37,000 for the quarter ended 30 June 2005.

Turnover for the quarter declined 45.8% to \$155.9 million due primarily to the lower contributions from China, Hong Kong and Singapore. Compared to the second quarter of the previous financial year, China and Hong Kong turned in revenues of \$75.1 million in 2Q2005 representing a decline of 63.9% compared to the revenues of \$208.3 million registered by these markets in 2Q2004. Similarly, arising from the impact of the weak demand and the sluggish performance of the electronic sector, revenue contributions from Singapore declined 20.7% to \$36.3 million in 2Q2005 compared to the same period in the previous financial year. As for other markets in the region, with the exception of Philippines where sales remained weak, revenue growth was seen in markets like India, Malaysia, Thailand and other markets.

All business segments reported lower levels of activities during the quarter under review. Revenue from the design-in business slipped 62.1% to \$69.9 million and sales contribution from the distribution business declined 17.2% to \$85.3 million. Design-in accounted for 44.8% of the Group's revenue and the balance represents primarily contributions from the distribution business. Included in the revenue is the maiden contribution of approximately \$0.8 million from the sub-system manufacturing business.

Corresponding to the weaker business activities, the Group's borrowings were also lower. Accounts receivable turnover rose from 50 days in 2Q2004 to 80 days in 2Q2005. Similarly, accounts payable



turnover also rose from 62 days in 2Q2004 to 74 days this quarter. Total bank borrowings were significantly lower declining from \$47.6 million at end of FY2004 to \$39.2 million in 2Q2005.

Compared to \$0.9 million in 2Q2004, cashflow generated from operating activities in 2Q2005 stood at \$7.6 million. Lower reliance on bank borrowings coupled with the Group's improved cash management capabilities brought a 46.2% reduction in finance costs which decreased from \$1.2 million to \$0.6 million during the quarter under review.

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

N.A.

**10. A commentary at the date of the announcement of the significant trends and 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.**

Into the 3<sup>rd</sup> quarter of this year, we expect to maintain our market share in China for the sale of mobile phone chips. In other Asian markets, competitive pressure will remain as price erosion continues to affect the sector's profitability. To mitigate the changing market conditions, the Group will continue to secure more product lines that will enable the Group to expand its products and services offerings to customers.

Responding to the changing operating business environment, the management has initiated internal consolidation across its offices in the region. Business units are undergoing rationalisation and offices across the region are consolidated together into single premises to facilitate management and improve operational efficiency. Management reporting and processes will continue to be strengthened.

Since the beginning of the first quarter of FY2005, credit controls have been set up and customers' payments are closely monitored. The sales offices now have their own credit committees that are tasked with the responsibilities of managing and monitoring the Group's credit exposures. Similarly, inventory levels are also closely supervised to achieve better inventory management.

Into the 3<sup>rd</sup> quarter of this year, the Group expects the business sentiments in the various countries where it operates to remain weak. Nevertheless, we will continue to monitor our business vigilantly and simultaneously look for new business opportunities to expand its range of products and services.

**11. Dividend**

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

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

**(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.** N.A.

**(d) Books closure date.** N.A.

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

No dividend has been declared for 2Q2005.

**BY ORDER OF THE BOARD**

Lynn Wan Tiew Leng  
Company Secretary  
2 August 2005