



## ABC COMPANY PTE LTD

88, Woodlands Industrial Park, Singapore 660237  
Tel : (65) 6465 2851  
Fax : (65) 6466 2416  
Web Site : [www.abc.com.sg](http://www.abc.com.sg)

### Executive Summary

Registration Date : 16.02.1979  
Registration Number : 197904250Z  
Legal Form : Limited Exempt Private Company  
Chief Executive : Mr. Adrian Wilson (Managing Director)  
Staff Strength : Approximately 50  
Paid Up Capital : SGD87,918,000.00  
Line of Business : Plastic Injection Molding  
SIC Code : 3089  
Auditor : PricewaterhouseCoopers  
Banker (s) : DBS, BOA, OCBC

### Credit Rating

**CA 3**

(Please refer to Appendix)

### Credit Risk

Average

### Payment

Above Average

### Financial Condition

Average

### Operational Trend

Average

### General Reputation

Above Average

### Legal Status

Limited Exempt Private Company

An exempt private company does not have other companies as shareholders and does not have more than 20 individual as shareholders. Exempt private company may loan to its directors. Also, the company need not file their accounts. However, they must still submit their annual returns to the ACRA and a company director, secretary and auditor must sign a certificate to confirm that: 1) the company is an exempt private company; 2) the company is able to meet its liabilities; 3) the audited accounts have been tabled before shareholders at its Annual General Meeting.

### Corporate Profile

SC was established on 16<sup>th</sup> February 1979 as a Limited Exempt Private Company\*. current name while it was formerly known as XYZ Pte Ltd. The company is registered with the Corporate Regulatory Authority (ACRA) under the registration number, 197904250Z.

SC is engaged in the business of plastic injection molding. An establishment of more than 50 years in this line of business since the commencement of its business operations.

SC's office is registered at 25 Yio Chu Kang Singapore 039192. However, the company's main office is at 88 Woodlands Industrial Park Singapore 660237. The above address houses its sales and manufacturing facilities. SC shifted to its current address since 2 August 1990.

As of October 2005, SC's capital stands as follows:

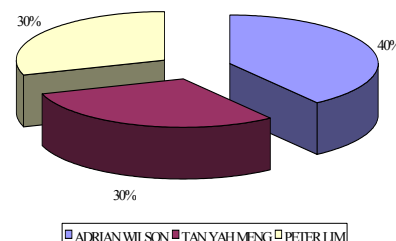
	<u>Currency</u>	<u>Amount</u>	<u>Number of Shares</u>
Issued Ordinary	Singapore Dollar	87,918,000.00	87,918,000.00
Paid-up Ordinary	Singapore Dollar	87,918,000.00	-



## Shareholder's Information

### Details of Shareholders:

1. Name : Adrian Wilson  
Shareholder ID : 0225189M  
Nationality : British  
Number of Shares : 35,167,200
2. Name : Tan Yah Meng  
Shareholder ID : S0302795A  
Nationality : Singaporean  
Number of Shares : 26,375,400
3. Name : Peter Lim  
Shareholder ID : S0415971Z  
Nationality : Singaporean  
Number of Shares : 26,375,400



### Board of Directors:

1. Name : Kwek Leng Boon  
IC/Passport : 00025179G  
Nationality : Singaporean  
Address : 17 Manly Street  
Singapore 546750  
Date of Appointment : 31.12.1998  
Position : Secretary
2. Name : Koh Siew Hong  
IC/Passport : 0032774Z  
Nationality : Singaporean  
Address : 6 Suntec Boulevard  
Singapore 588177  
Date of Appointment : 31.12.1998  
Position : Secretary
3. Name : Adrian Wilson  
IC/Passport : 0225189M  
Nationality : British  
Address : 1723 Deal Street  
Singapore 288292  
Date of Appointment : 26.05.1984  
Position : Managing Director
4. Name : John Sanderson  
IC/Passport : 1094362M  
Address : 32 North Bridge  
Scotland Pa 13 4N7  
Date of Appointment : 30.03.2000  
Position : Director
5. Name : Peter Lim  
IC/Passport : S0415971Z  
Address : 1 String Road  
Singapore 558651



Date of Appointment : 26.05.1995  
Position : Director

## Key Personnel

Heading the management is Mr. Adrian Wilson, the Managing Director of the company. In charge of the overall running of the business operations, Mr. Wilson has been heading the company for the past 21 years. Mr. Wilson has worked with International Company Pte Ltd for 5 years before he joined SC. Checks revealed that apart from SC, Mr. Wilson has directorship and shareholdings in other Singapore registered companies, which include:

- AB Limited
- CD (S) Pte Ltd
- EF Holdings Limited
- GHI Company
- XYZ Corporation Limited

Further checks revealed that the President of the company is Mr. Gerald Koh, who has been with the company since its inception. Assisting Mr. Koh is a team of experienced personnel who are responsible for the different aspects of the business. Mr. Nigel How is the General Manager who works closely with the Managing Director.

In the area of finance and administration, Mr. Ben Koh is the person in charge. As a Senior Vice President in Finance and Operations, he oversees all finance cum administrative matters in SC.

The other key personnel are as follows:

Procurement Manager : Mr. Sherman Knight  
Accounting Manager : Ms. Tan Teck Wah  
Logistic Manager : Mr. Eric Oh  
Senior Personnel Officer : Ms. Kate Ong

According to our checks, the company has an approximately staff strength of 50 assisting in its daily activities.

**Staff Strength**  
Approximately 50



## Business Operations

SC is engaged in the business of plastic injection molding and acts as a holding company for its subsidiaries. Established since 1979, the company has approximately 26 years of experience in this line of business.

The company is sharing the same premises with its subsidiary, DEF Industries Pte Ltd. The subsidiary has the similar business activities as SC. SC is set up for accounting and administrative purposes. SC prefers its suppliers to name it DEF as it is well known among its clients under the name of DEF.

The Group is mainly engaged in the design and manufacturing of tooling and moulds for precision plastic components as well as undertaking plastic injection molding. Examples of the product mix and services that the Group provides to its clients are as follows:

### Services

- Die Sets & Standard Components
- Injection Molding
- Precision Injection
- Tooling

### Electrical and Electronic Products

- Audio/ VCR/ Visual Parts
- Computer Peripherals
- Connectors
- IC Chip Tray
- Remote Controls

### Mechanical/ Consumer Products

- Bicycle Parts
- Measuring Instruments
- Printers
- Type Writers

### Engineering Plastic Raw Materials Range

- PPS (Rylon)
- Nylon (Ultem, Rynite, Leona, CTXS, Noryl, Celanese)
- PBT (Duranex, Toray, Novodur, Polyfil)
- POMF (Duracon, Lucel, Tenac, Delrin, Iupital, etc.)
- PC (Lexon, Shinkolite, Makrolon, Martogg, Lupillon)
- PC Alloy (Multilon, Cycology)
- PPE (Whistatt, Xyron)
- ABS (Denka, JSR, Metallic, Cevian, etc.)

SC purchases its supplies locally as well as imports some of them from overseas countries. The company's suppliers grant 30 days credit terms to SC. The following are the importing countries of SC:

- Malaysia
- Taiwan
- Hong Kong
- Indonesia, etc.

## Operations Rating

3

## Obtained Scores

72

## Rating Guide

Rating Key	Scores	Implications
1	85-100	Excellent
2	75 - 84	Above Average
3	50 - 74	Average
4	35 - 49	Fair
5	15 - 34	Below Average
6	01 - 14	Poor
NR	No Data	No Data

## Supplier (Credit Terms)

30 days



Decide with Confidence

The Group serves both local as well as overseas clients. Approximately 70 percent of the Group's clients are Japanese clients while the rest are from other countries. The following are some of the major clients of the Group:

- Asian Far East Inc.
- Parts (S) Pte Ltd
- Bits & Pieces
- Crystal Electronic (M) Sdn Bhd.
- Bright Corporation
- Clever Electronics

**Clientele Base**

Japan - 70%  
Local & other countries - 30%

The Group has approximately 19 injection machines in running its business. These machines ranged from 20 tons to 100 tons. The brands for these machines are Arbug, Sumitomo and Nissei. Furthermore, it has support equipment such as robot arms, chillers, auto loaders, crushers, belt conveyors, EDM, wire-cut machine, milling machine, turning machine, milling CNC/NC machine, grinding machine and profile projectors.

There are 4 people working within the design department. The Group uses computer software such as AutoCad R12 and R13, Unigraphics (3D) Cad-Cam to design those tools and molds.

The Group plans to set up its own premises, ABC Complex, by the end of this year. This premises is located at Tuas, and it is wholly-owned by SC. These new facilities will include its clean room facilities and product design capabilities. It will double its present injection capacities and expands its mold design and mold fabrication business to the Asia market.

In its business transactions, SC grants the usual 30 to 45 days credit terms to its local regular clients. First time transactions might be carried out in terms of cash upon delivery. As of overseas clients, both Letters of Credit (LC) and Telegraphic Transfers (TT) are accepted. However, it sometimes depends on the creditworthiness cum payment regularity of its clients.

**Customer (Credit Terms)**

30 - 45 days

## Related Companies

Subsidiaries:

Name	% of shareholding
Far Eastern Malaysia Sdn. Bhd, Malaysia	100
Parts Ltd, India	100
Plugs Ltd, India	100
DEF Industries Pte Ltd, Singapore	100



## Litigations

The following results were obtained upon litigation searches conducted based on the registration number(s) and/or Identification number(s) of SC and its shareholder(s).

There were 3 legal suits filed against SC in the last five years under the following suit numbers:

Suits	Date Writ	Status	Nature of Claim/ Amount	Plaintiff
MC 1234 / 2004	16/01/2004	PENDING AS AT STATUS DATE	CONTRACTS - WORK DONE AND SERVICE RENDERED SGD 1,860.00 - .00 - .00 - .00	A COMPANY PTE LTD
MC 5678 / 2004	19/05/2004	PENDING AS AT STATUS DATE	GOOD SOLD AND DELIVERED USD 15,000.00 - .00 - .00 - .00	B COMPANY PTE LTD
S 123 / 2005	04/06/2005	PENDING AS AT STATUS DATE	CONTRACT - OTHERS USD 3,700,000.00 USD 1,600,000.00 USD 1,000,000.00 - .00	C COMPANY PTE LTD

There were no legal suits filed against SC's shareholders in the last 5 years.

Litigation information is provided to D&B Singapore by a third party and may or may not reflect the status and details as at the time of original filing. As such, D&B Singapore is unable to guarantee its accuracy, completeness or currentness and shall not be liable for any damage or loss that may be caused as a result of any error, omission or reliance on the information.

## Payment

The rating indicates the payment pattern of SC based upon the D&B SINGAPORE Payment Database, comments from suppliers of SC as well as industrial sources.

### Payment Information Extracted from our Database

EXP DATE	PAYING RECORD	TERMS	SALE
11/30/2004	PROMPT	30	11/29/2004
9/30/2004	PROMPT	30	9/29/2004
7/31/2004	PROMPT	30	7/30/2004

Amounts may be rounded to nearest figure in prescribed ranges

### Payment Rating

2

### Obtained Scores

80

### Rating Guide

Rating Key	Scores	Implications
1	85-100	Excellent
2	75 - 84	Above Average
3	50 - 74	Average
4	35 - 49	Fair
5	15 - 34	Below Average
6	01 - 14	Poor
NR	No Data	No Data

The rating indicates the payment pattern of SC based upon the D&B Singapore Payment Database, comments from suppliers of SC as well as industrial sources.



## Banking

- Oversea Chinese Banking Corporation Limited
- The Development Bank Of Singapore Limited
- Bank Of America N. A.

### Charge(s) :

1. Charge Number : 199702347  
Date Of Registration : 23.04.1997  
Chargee(s) : The Development Bank Of Singapore Limited
2. Charge Number : 199702348  
Date Of Registration : 23.04.1997  
Chargee(s) : The Development Bank Of Singapore Limited

## Financial Highlights

Please refer to the Financial Analysis report.

## Industry Information

Manufacturing output grew by 5.9 per cent in the second quarter of 2005, up from 3.4 per cent in the first quarter. In particular, the transport engineering cluster grew strongly. Excluding the biomedical manufacturing cluster, manufacturing output grew by 6.6 per cent. The transport engineering cluster was the star performer in the second quarter of 2005. Output grew a substantial 29 per cent after a 22 per cent growth in the first quarter. Both the marine and offshore engineering and aerospace segments grew strongly. Local shipyards were very active in their building and repairing of container ships, navy and other marine vessels. In the aerospace segment, the proliferation of intra Asia Pacific budget travel has generated greater demand for commercial aircraft repairs. The electronics cluster grew by 4.4 per cent in the second quarter, down from 11 per cent in the first quarter of 2005. The infocomms and consumer electronics segment saw greater output of mobile products and computers. There was healthy demand for the new range of communication equipment and enterprise computers and PCs. The data storage segment expanded substantially by 40 per cent with production geared towards enterprise drives. However, the semiconductors segment shrank due to weak global demand for DRAMs, despite lower chip inventory. In the computer peripherals segment, output shrank as demand for printers and related products slackened.

The precision engineering cluster grew by 3.7 per cent in the second quarter. Output of precision modules and components increased as greater demand encouraged production of components, wires, cables and electroplating services. The machinery and system segment saw higher production of conveying and lifting machinery. However, the output of semiconductor assembly and testing equipment declined in tandem with slower growth in the output of semiconductors. The biomedical manufacturing cluster grew by 2.9 per cent in the second quarter of 2005, reversing its 18 per cent contraction in the previous quarter. The growth came from both the pharmaceuticals and medical technology segments. A surge in June's output of pharmaceuticals enabled the segment to clock in positive growth in the second quarter. The product-mix of active pharmaceutical ingredients for



Decide with Confidence

this second quarter was different from the same quarter last year. The output of the medical technology segment increased as orders from the US and European market lifted production.

Output of the chemicals cluster grew by 0.7 per cent in the second quarter of 2005. Overall cluster growth was moderated by contractions in the petrochemicals and speciality chemicals segments. Some plant maintenance shutdowns disrupted production during the quarter, resulting in lower production of a variety of petrochemicals. In contrast, petroleum refineries increased output, driven by better refining margins and high product prices. The general manufacturing industries grew by 1.0 per cent in the second quarter of 2005, comparable to the first quarter growth of 1.3 per cent. Both the food and printing industries expanded.

Source: Ministry of Trade and Industry

## Remarks

In conclusion, taking into consideration of SC's general performance, reputation as well as market conditions we would rate SC as an average credit risk company.



## Appendix

### Credit Rating Guide

RATING KEY		CREDIT RISK ASSESSMENT	PROPOSED CREDIT LIMIT (in concerned business field)
<b>CA1</b>	Minimal	Credit can proceed with favorable terms	Large amount
<b>CA2</b>	Low	Credit can proceed promptly	Fairly large amount
<b>CA3</b>	Average	Credit can proceed normally	Moderate amount
<b>CA4</b>	Above average	Credit should proceed with monitor	Small amount – periodical review
<b>CA5</b>	Fairly High	Credit should be extended under guarantee	C.O.D. To small amount
<b>CA6</b>	High	Credit is not recommended	C.O.D.
<b>NR</b>	Assessment not conducted	Insufficient data available	No recommendation

This rating serves as a reference to assess SC’s credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors and their relative weights (as indicated through %) in our credit analysis are as follows:

Financial condition (40%)	Ownership background (5%)	Payment record (10%)
Credit history (30%)	Market trend (5%)	Operational size (10%)

In case of unlimited companies, newly established companies, or lack of financial data, more weight is given to ‘Ownership background’ and ‘Payment record’ in our analysis.

#### Adopted abbreviations:

NA - Not Available    SGD - Singapore Dollar    SC - subject company (the company inquired by you)



Decide with Confidence

## TWO YEAR FINANCIAL ANALYSIS REPORT

### Financial Highlights

Overall, it was a good year for SC. Sales performed better by 30.10%, posting in excess of \$86.40 million. SC revealed that it had acquired a new major customer as well as bulk orders from its existing customer during the financial year. This was followed by better net profitability as well. SC reaped net profits worth \$16.59 million in FYE2004, scoring a net profit margin of 19.20%, which was above the industry norm.

Returns-wise, there were mixed results. SC was more efficient in capitalizing its assets, thus generating better returns on them. However, the effects of the much reduced leverage levels superceded the positive growth in the returns on assets, thus resulting in a lower return on equity. Note that SC had cleared off all bank borrowings at FYE2004.

Liquidity level was good, registering performances above the industry. SC continued to be able to generate cash inflows from its normal course of operations.

Total debt to equity halved, posting at 62.43% in FYE2004, which was significantly lower than the industry norm of 117.50%.

We would like to highlight that SC had secured term loans from its holding company worth almost \$4.5 million in FYE2004. This loan was secured by a legal mortgage on the leasehold property of SC, bears at 1% per annum above the bank's 3-month swap rate and will mature in April 2006. SC had also issued corporate guarantees to bankers for banking facilities granted to holding company to a limit of \$15 million (2003: \$15 million). As of 31 March 2004, \$4.5 million had been drawn (2003: \$6.5 million). It could be the group's policy that SC is getting loans from its holding company. Alternatively, the ease of borrowings from banks if its from a public listed company and the possibly of a preferential interest rate could have prompted SC's decision to loan from its holding company. However, the actual cause could not be verified as SC's declined comments on this.

Taking into consideration profitability, liquidity and leverage of SC, it had shown an average financial performance in FYE2004.

### Financial Rating FR 3

**Auditor**  
PricewaterhouseCoopers

**Financial Statement Type**  
Company

**Fiscal Year**  
2004

**Currency**  
SGD

**Table 1: Key Balance Sheet Data (SGD)**

<b>FYE December</b>	<b>2004</b>	<b>2003</b>	<b>% Change</b>
Current Assets	41,120,224	27,529,477	49.37
Other Assets	149,350	149,350	0.00
Fixed Assets	24,784,888	26,099,204	(5.04)
<b>Total Assets</b>	<b>66,054,462</b>	<b>53,778,031</b>	<b>22.83</b>
Current Liabilities	21,280,184	22,911,394	(7.12)
Non-Current Liabilities	4,107,050	6,784,697	(39.47)
<b>Total Liabilities</b>	<b>25,387,234</b>	<b>29,696,091</b>	<b>(14.51)</b>
<b>Working Capital</b>	<b>19,840,040</b>	<b>4,618,083</b>	<b>329.62</b>
Share Capital	2,763,095	2,763,095	0.00
Revenue Reserve	37,904,133	21,318,845	77.80
<b>Total Shareholder's Equity</b>	<b>40,667,228</b>	<b>24,081,940</b>	<b>68.87</b>

- The figure is not available.

### Financial Rating Guide

FR1	Strong
FR2	Above Average
FR3	Average
FR4	Fair
FR5	Below Average
FR6	Poor
N.R.	No Rating

This rating serves as a reference to assess SC's financial performance. The financial rating assigned to SC takes into account of the following considerations: Profitability, Return on Invested Capital, Liquidity, Asset Management, Capital Structure and Solvency.



Decide with Confidence

**Table 2: Key Earnings Data (SGD)**

<b>FYE December</b>	<b>2004</b>	<b>2003</b>	<b>% Change</b>
<b>Turnover</b>	<b>86,395,039</b>	<b>66,408,369</b>	<b>30.10</b>
Profit (Loss) Before Tax	20,541,741	12,921,592	58.97
Income Tax	(3,956,453)	(2,631,270)	(50.36)
<b>Profit (Loss) After Tax</b>	<b>16,585,288</b>	<b>10,290,322</b>	<b>61.17</b>
Extraordinary Item	-	-	<b>0.00</b>
Accumulated Profit (Loss) B/Forward	21,318,845	11,028,523	93.31
<b>Accumulated Profit (Loss) C/Forward</b>	<b>37,904,133</b>	<b>21,318,845</b>	<b>77.80</b>

- The figure is not available.

**Table 3: Key Cash Flow Data (SGD)**

<b>FYE December</b>	<b>2004</b>	<b>2003</b>	<b>% Change</b>
Net Cash Flow from Operating Activities	7,726,028	25,482,669	(69.68)
Net Cash Flow from Investing Activities	(1,160,800)	(1,327,193)	12.54
Net Cash Flow from Financing Activities	(3,436,667)	(15,026,739)	77.13
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>3,128,561</b>	<b>9,128,737</b>	<b>(65.73)</b>
Cash and Cash Equivalents B/Forward	12,605,272	3,476,535	262.58
<b>Cash and Cash Equivalents C/Forward</b>	<b>15,733,833</b>	<b>12,605,272</b>	<b>24.82</b>

- The figure is not available.



Decide with Confidence

**Table 4: Key Financial Ratios**

		Industry Norms <sup>†</sup>			2004	2003
		Lower	Median	Upper		
<u>Profitability</u>						
Gross Profit (Loss) Margin (%)	Gross Earnings/Turnover*100%	-	-	-	28.81	27.39
Pre-tax Profit (Loss) Margin (%)	Pre-tax Earnings/Turnover*100%	-	-	-	23.78	19.46
Net Profit (Loss) Margin (%)	Net Earnings/Turnover*100%	0.01	3.43	8.16	19.20	15.50
Basic Earning Power (%)	Earnings Before Interest & Tax/Net Assets*100%	-	-	-	50.51	53.66
Earnings Per Share (\$)	Net Earnings/No. of Shares Outstanding	-	-	-	6.00	3.72
<u>Return on Invested Capital</u>						
Return on Assets (%)	Net Earnings/Total Assets*100%	0.01	2.93	10.13	25.11	19.13
Return on Equity (%)	Net Earnings/Total Equity*100%	-0.39	10.51	23.65	40.78	42.73
<u>Liquidity</u>						
Current Ratio	Current Assets/Current Liabilities	1.00	1.38	2.18	1.93	1.20
Quick Ratio	(Current Assets - Inventories)/Current Liabilities	-	-	-	1.76	1.10
Cash Ratio	Cash/Current Assets	-	-	-	0.24	0.37
Collection Period (days)	Accounts Receivable/Turnover*365	46.40	73.01	101.19	45.04	62.73
Payment Period (days)	Accounts Payable/Turnover*365	-	-	-	32.71	26.92
Inventory Conversion Period (days)	Inventory/Turnover*365	-	-	-	15.81	12.78
<u>Operating Efficiency</u>						
Fixed Asset Turnover Ratio (times)	Turnover/Fixed Assets	-	-	-	3.49	2.54
Asset Turnover Ratio (times)	Turnover/Total Assets	-	-	-	1.31	1.23
Accounts Receivable Turnover Ratio (times)	Turnover/Accounts Receivable	-	-	-	8.10	5.82
Accounts Payable Turnover Ratio (times)	Turnover/Accounts Payable	-	-	-	11.16	13.56
Inventory Turnover Ratio (times)	Turnover/Inventory	8.52	14.20	28.55	23.09	28.55
<u>Leverage</u>						
Total Debt to Asset Ratio (%)	Total Liabilities/Total Assets*100%	-	-	-	38.43	55.22
Total Debt to Equity Ratio (%)	Total Liabilities/Total Equity*100%	34.88	117.50	272.44	62.43	123.31
Non-Current Debt to Equity Ratio (%)	Non-Current Liabilities/Total Equity*100%	-	-	-	10.10	28.17
Total Bank Borrowings to Equity Ratio (%)	Total Bank Borrowings/Total Equity*100%	-	-	-	0.00	1.25
Current Bank Borrowings Coverage Ratio	Net Earnings/Current Bank Borrowings	-	-	-	-	34.30
Interest Coverage Ratio	Earnings Before Interest & Tax/Interest Expense	-	-	-	109.46	36.59

- The figure is not available.

# The asset management ratios also comprise of the accounts receivable turnover ratio and inventory turnover ratio. These ratios are excluded under the Asset Management heading as they are already mentioned under the Liquidity heading.

<sup>†</sup>The Industry Norms are calculated solely based on the information available in the database of D&B Singapore and may not be reflective of Industry Averages. D&B Singapore reserves the right to vary the data fields and/or exclude any data element in the report at discretion.



## Profitability & Returns

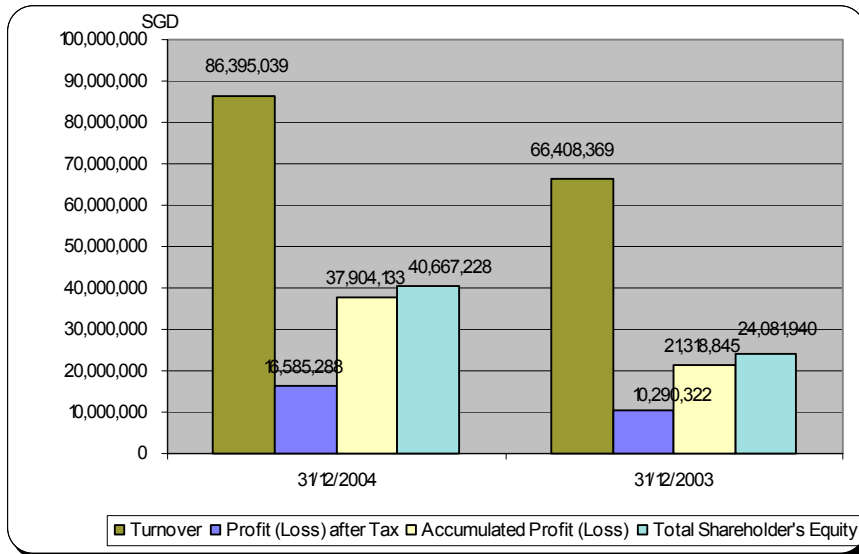


Chart 1: Comparative Performance of Turnover, Earnings and Total Shareholder's Equity

Turnover, derived from sales of goods, rose by a good 30.10%, reaching in excess of \$86.40 million in FYE2004 from \$66.41 million in FYE2003. SC revealed that the rise in its turnover was the result of 2 main factors – the acquisition of a new major client, YYY Electronics, and bulk orders from some of its existing key customers.

Cost of sales also rose, but by a smaller extent of 27.54%, which provided for better gross profit margin of 28.81%.

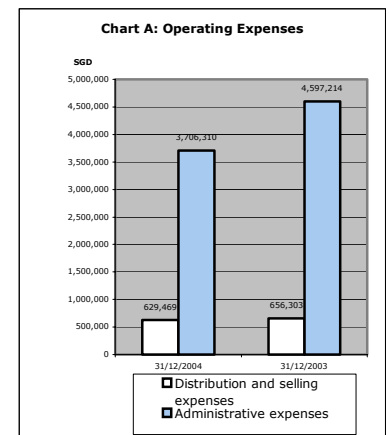
Total operating costs declined by 17.47%, registering at \$4.34 million in FYE2004. Both components of costs saw reductions in FYE2004 (See Chart A). However, the fall in administrative expenses of 19.38% had clearly been the key contributor to the lower overall operating costs. Based on the audited financial statements, we noticed that the change in the Directors' fees and remuneration was one of the factors which resulted in the fall in operating costs. Directors' fees almost halved to \$30,000 and no remuneration was paid to the Directors in FYE2004. To top it off, there was also a write-back of overprovision of Directors' remuneration of prior years, amounting to \$103,370. SC declined to comment on the reduction in Director's fees and non-issuance of remuneration.

Net profitability edged closer to the \$17-million mark in FYE2004, representing an improvement of 1.6 times. On top of better sales performance, the higher net profitability was also a result of SC's ability to control its costs.

As a result of better net profits, accumulated profits increased by a healthy 77.80%, leading to a 68.87% rise in total shareholder's equity to \$40.67 million in FYE2004.

### Profitability

Higher turnover; a less than proportionate rise in cost of sales and decline in operating costs, resulting in an improvement in net profitability.



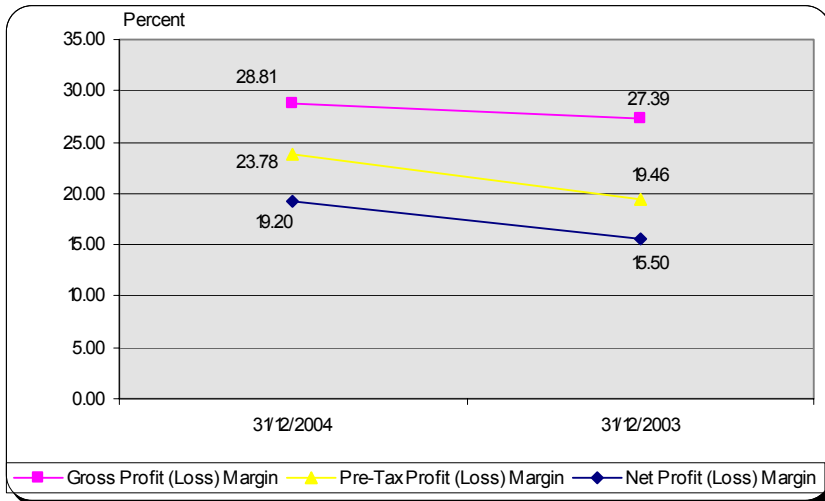


Chart 2: Analysis of Profit (Loss) Margin Ratios

Naturally, profitability performance – gross, pre-tax and net – displayed a good performance in FYE2004.

Gross profit margin increased 1.42% points to 28.81% whereas pre-tax profit margin increased by a larger extent of 4.32% points to 23.78%. Net profit margin rose by 3.7% points to 19.2%, faring better than the industry norm of 3.43%.

### Return on Invested Capital

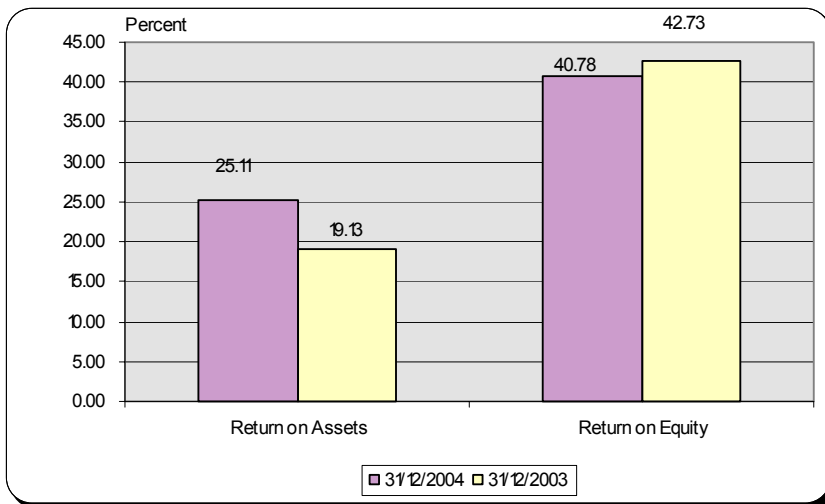


Chart 3: Comparative Changes in Return on Assets Ratio and Return on Equity Ratio

**Return on Invested Capital**  
Better ROA but slackened ROE, a result of lower gearing.

SC enjoyed better returns on its assets in FYE2004, but returns on equity slackened.

Return on Assets (ROA) rose by 5.98% points to 25.11% in FYE2004, implying that SC was able to generate \$25.11 for every \$100 worth of assets. Both



underlying levers of ROA – asset management and profitability – had clearly contributed to the SC’s ability to generate better returns (See Profitability and Operating Efficiency sections)

Return on Equity (ROE) failed to perform better in FYE2004. It fell 1.95% points, slipping down to 40.78% in FYE2004. In other words, the company was able to achieve a return of \$40.78 for every \$100 equity pumped into the business, instead of last financial period’s \$42.73.

Basically, the ROE measures the management’s capability in generating returns on its shareholders’ funds and based on the poorer ROE in FYE2004, it appeared that the management had been less efficient giving its shareholders better returns.

Since ROE is a function of ROA and financial leverage, it appeared that the reduced gearing of SC in FYE2004 was reason for its poorer ROE (See section on Leverage).

## Liquidity

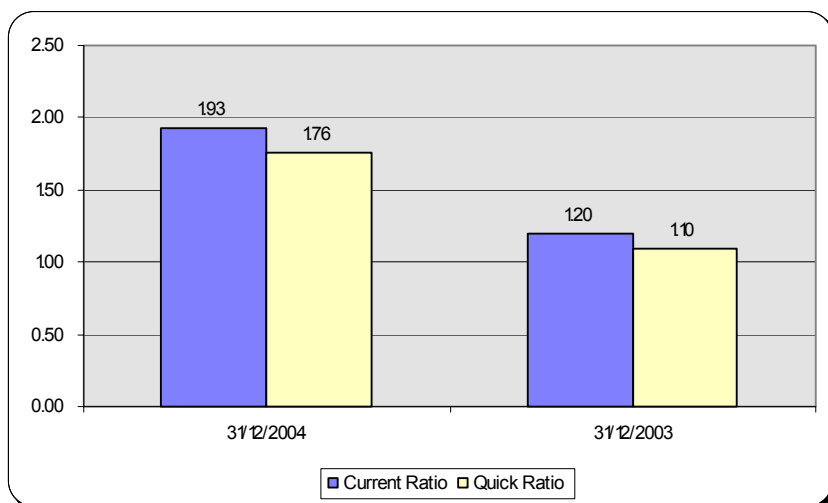


Chart 4: Comparative Changes in Current Ratio and Quick Ratio

Chart 4 depicted a better liquidity position for SC. Current ratio rose by a 0.73 from 1.20 in FYE2003 to 1.93 in FYE2004. Quick ratio also showed an improvement, rising by 0.66 from 1.10 in FYE2003 to 1.76 in FYE2004. The increase in both ratios were largely attributed to the rise in current assets, which rose 49.37% during the financial year. Overall, SC’s liquidity position rose above the industry norm of 1.38.

Working capital increased by a whopping 329.62%, reaching close to \$20 million in FYE2004. This projected an even more positive picture of SC’s liquidity position and may further imply that it had better capacity than the industry norm to meet its short-term obligations.

SC’s cash position improved by 24.82% to \$15.73 million in FYE2004. However, note that net increase in cash and cash balances fell by a significant 65.73%, a consequence of slackened net cash inflows from operating activities.

### Liquidity

An improvement in overall liquidity and cash position. Liquidity position was above the industry norms.



SC continued to generate cash from its operating activities in FYE2004. Note, however, net cash generated in FYE2004 slid by a significant 69.68% to \$7.73 million. Although this was the result of working capital changes, we highlight that change in the component 'Related Companies' caused a major drain of more than \$11.00 million (See Charts B and C).

SC persisted in its investing activities in FYE2004. All in all, net cash used in investing activities dropped 12.54% during a year, brought about by a decline in the purchase value of fixed assets to \$1.60 million.

Financing activities continued to result in cash outflows in FYE2004. Note, however, that cash outflows from financing activities were significantly lesser by 77.13% from over \$15.00 million in FYE2003 to \$3.44 million in FYE2004. This was largely because of smaller amount of term loan from holding company and short-term bank loans fell due in FYE2004 (\$2.00 million in FYE2004 as compared to \$10.00 million in FYE2003). Further note that SC had paid off all its banks borrowings in FYE2004. The remaining balance due to holding company of \$2.5 million would only mature in April 2006.

Based on the current liabilities, we highlight that SC owes in total \$5.50 million to the holding company in FYE2005. Out of this \$5.50 million, \$2.00 million represented the current portion of the term loan and \$3.02 million was amounts due to holding company incurred in the course of trade. The remaining was non-trade-related.

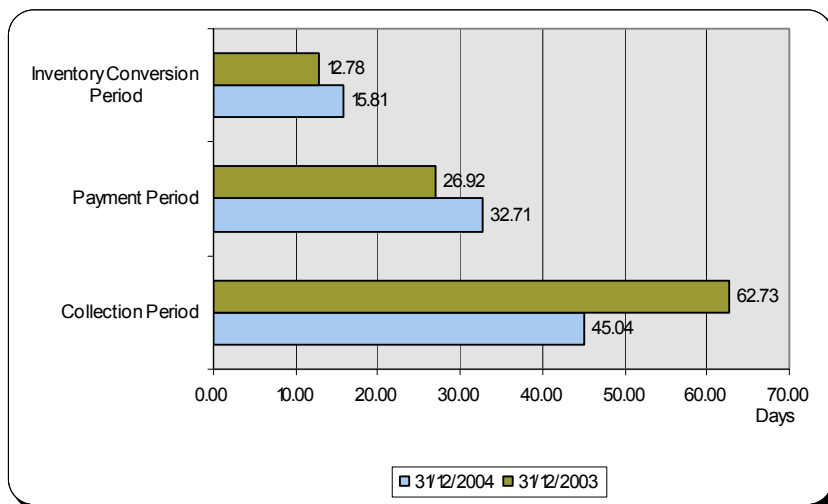
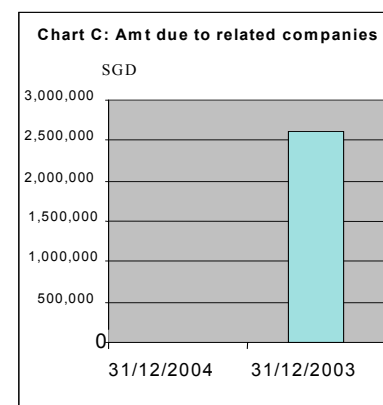
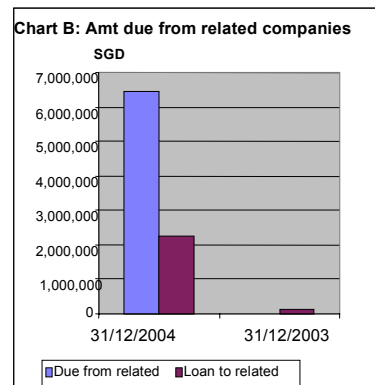


Chart 5: Inventory Conversion, Payment and Collection Periods

Inventory conversion period increased 3.03 days to 15.81 days in FYE2004, implying that it took a longer time for SC to turn its stocks into sales. We noticed that the company had maintained a higher level of inventory at the end of FYE2004 of \$3.74 million, which was an increase of 60.91%.

Payment period saw an increase as well, rising to 32.71 days in FYE2004 from 26.92 days in FYE2003. Trade creditors have increased by close to 60% in FYE2004, which was significantly higher than the rise in SC's turnover. SC confirmed that the increased orders for its goods had resulted in higher need to make more frequent and larger amounts of raw materials in credit. SC's bigger suppliers had also extended longer credit terms in FYE2004.



Collection period fell by 17.69 days, from 62.73 days in FYE2003 to 45.04 days in FYE2004. SC admitted that it had since tightened its credit policy to trade debtors in FYE2004. SC's collection period was shorter than the industry norm of 73.01 days.

## Operating Efficiency

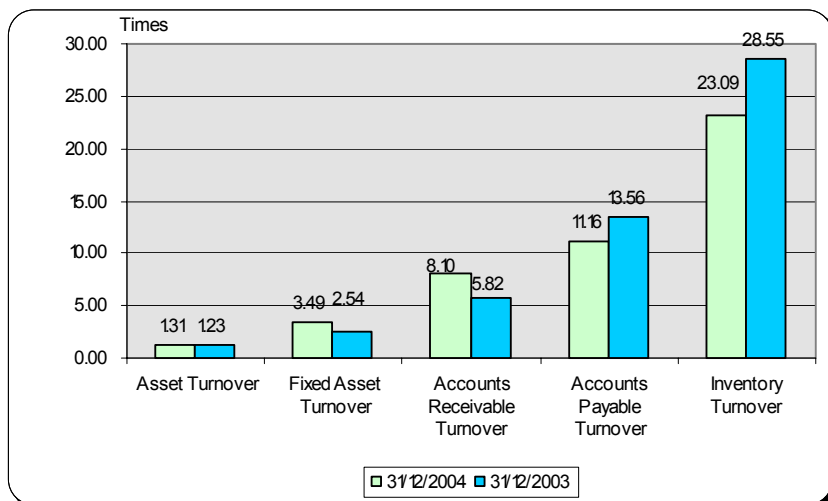


Chart 6: Comparative Changes in Asset, Accounts Receivable and Payable Inventory and Fixed Asset Turnover Ratios

### Operating Efficiency

Better results from Asset and Fixed Asset Turnovers, indicating better capitalization of assets.

A lower inventory turnover, a result maintenance of higher stockpile to meet existing production demand.

Both asset and fixed asset turnovers increased to 1.31 and 3.49 times respectively in FYE2004. Total asset level rose by 22.83%, which was less proportionate than the rise in SC's turnover. Note that increases in current assets boosted the growth in total assets. Fixed assets, however, declined by 5.04%. All in all, SC was better able to capitalise on its assets to generate better returns.

Accounts receivable and accounts payable turnovers moved in opposite directions in FYE2004. The higher accounts receivable turnover of 8.10 times reinforced that SC was better able to recover its debts from trade debtors. Accounts payable turnover fell to 11.16 times, showing that SC took a longer period to pay its trade creditors (See section on Liquidity).

Inventory turnover fell to 23.09 times in FYE2004. This was largely the effect of a higher stock position at the end of FYE2004. Note that SC's inventory turnover was still higher than the industry norm of 14.20 times despite its fall. SC commented that it maintained larger stock supplies to meet existing production demands.



## Leverage

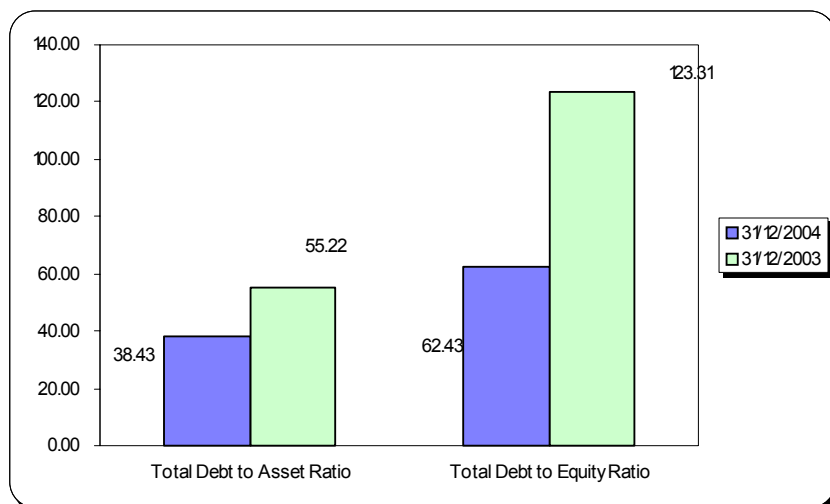


Chart 7: Comparative Changes in Total Debt to Asset Ratio and Total Debt to Equity Ratio

Both total debt to asset as well as total debt to equity ratios declined in FYE2004, depicting lower gearing for SC.

Total debt to asset ratio decreased by 16.80% points from 55.22% in FYE2003 to 38.43% in FYE2004.

Total debt to equity halved, posting at 62.43% in FYE2004 in contrast to 123.31% in FYE2003. SC's total debt to equity ratio was significantly lower than the industry norm of 117.50%.

Note that in FYE2004, SC had cleared off its bank borrowings. However, we would like to highlight that SC had secured term loans from its holding company worth almost \$4.5 million in FYE2004. As per notes 13 of the audited financial statements, this loan was secured by a legal mortgage on the leasehold property of SC, bears at 1% per annum above the bank's 3-month swap rate and will mature in April 2006.

SC had also issued corporate guarantees to bankers for banking facilities granted to holding company to a limit of \$15 million (2003: \$15 million). As of 31 March 2004, \$4.5 million had been drawn (2003: \$6.5 million).

## END OF THIS REPORT

### Leverage

Leverage levels were significantly lower, with zero bank borrowings in FYE2004.