



## AEI CORPORATION LTD.

(Company Registration No : 198300506G)

### 2008 FULL YEAR FINANCIAL STATEMENT ANNOUNCEMENT

#### 1(a) STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 DECEMBER 2008

(In Singapore Dollars)

	<b>GROUP</b>		<b>% Increase/ (Decrease)</b>
	<b>31/12/2008 S\$'000</b>	<b>31/12/2007 S\$'000</b>	
Revenue	60,131	68,117	(11.7)
Cost of sales	(64,272)	(65,365)	(1.7)
<b>Gross (loss) / profit</b>	<b>(4,141)</b>	<b>2,752</b>	<b>nm</b>
Other operating income	9,258	9,425	(1.8)
Selling & distribution expenses	(1,617)	(1,468)	10.1
Administrative expenses	(5,927)	(5,708)	3.8
Other operating expenses	(4,038)	-	nm
<b>(Loss) / Profit from operating activities</b>	<b>(6,465)</b>	<b>5,001</b>	<b>nm</b>
Finance cost	(2)	(1)	100.0
Finance income	312	232	34.5
<b>(Loss) / Profit before taxation</b>	<b>(6,155)</b>	<b>5,232</b>	<b>nm</b>
Taxation	370	(746)	nm
<b>(Loss) / Profit for the year</b>	<b>(5,785)</b>	<b>4,486</b>	<b>nm</b>
<b>Attributable to :</b>			
Equity holders of the company	(5,753)	4,483	nm
Minority interests	(32)	3	nm
	<b>(5,785)</b>	<b>4,486</b>	<b>nm</b>

nm - not meaningful

#### Notes to the income statement :

	<b>31/12/2008</b>	<b>31/12/2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cost of sales includes:</b>		
Write down of inventories to net realisable value	6,440	24
<b>Other operating income includes :</b>		
Sale of scraps	8,559	8,954
Sundry income	699	471

**Notes to the income statement (Cont'd)**

	<b>31/12/2008</b>	<b>31/12/2007</b>
	\$'000	\$'000
<b>Other information :</b>		
Depreciation of property, plant and equipment	2,082	2,036
Interest on borrowings	2	1
Foreign exchange loss	555	512
Loss on disposal of property, plant and equipment	411	502
Impairment loss on property, plant and equipment	109	-
Impairment loss on convertible loan	4,038	-
Bad debts written off - trade	-	17
Impairment / (Write-back of impairment) for doubtful debts - trade, net	143	(31)
<b>Finance income includes :</b>		
Interest on fixed deposits	241	232
Interest on convertible loan	71	-

**1(b)(i) BALANCE SHEETS**

	<b>Group</b>		<b>Company</b>	
	<b>31/12/2008</b>	<b>31/12/2007</b>	<b>31/12/2008</b>	<b>31/12/2007</b>
	S\$' 000	S\$' 000	S\$' 000	S\$' 000
<b>Non-current assets</b>				
Property, plant and equipment	16,940	16,612	16,125	15,911
Investment in subsidiary	-	-	956	955
Convertible Loan	3,595	-	3,595	-
	<u>20,535</u>	<u>16,612</u>	<u>20,676</u>	<u>16,866</u>
<b>Current assets</b>				
Loan to subsidiary	-	-	136	-
Inventories	10,153	11,978	10,138	11,960
Trade receivables	7,398	12,203	7,398	12,203
Convertible Loan	-	4,038	-	4,038
Other receivables	80	81	46	63
Prepaid operating expenses	32	32	25	24
Cash and bank balances	22,687	28,466	22,652	28,290
	<u>40,350</u>	<u>56,798</u>	<u>40,395</u>	<u>56,578</u>
<b>Current liabilities</b>				
Trade payables	857	4,364	844	4,190
Deferred income	171	-	171	-
Other payables	2,331	2,200	2,263	2,107
Due to a subsidiary company	-	-	224	500
Provision for taxation	-	711	-	700
	<u>3,359</u>	<u>7,275</u>	<u>3,502</u>	<u>7,497</u>
<b>Net current assets</b>	36,991	49,523	36,893	49,081
<b>Non-current liabilities</b>				
Deferred income	100	-	100	-
Deferred taxation	2,226	2,538	2,159	2,446
	<u>2,326</u>	<u>2,538</u>	<u>2,259</u>	<u>2,446</u>
<b>Net assets</b>	<u>55,200</u>	<u>63,597</u>	<u>55,310</u>	<u>63,501</u>
<b>Equity attributable to equity holders</b>				
Share capital	46,465	46,465	46,465	46,465
Asset revaluation reserve	1,296	1,296	1,296	1,296
Retained profits	7,424	15,789	7,549	15,740
	<u>55,185</u>	<u>63,550</u>	<u>55,310</u>	<u>63,501</u>
Minority interests	15	47	-	-
<b>Total Equity</b>	<u>55,200</u>	<u>63,597</u>	<u>55,310</u>	<u>63,501</u>

**1(b)(ii) AGGREGATE AMOUNT OF GROUP'S BORROWINGS AND DEBT SECURITIES**

None

**1(e) CASH FLOW STATEMENT****Group**

	<b>31/12/2008</b>	<b>31/12/2007</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from operating activities :</b>		
(Loss) / Profit before taxation	(6,155)	5,232
Adjustments for :		
Depreciation expense	2,082	2,036
Loss on disposal of property, plant and equipment	411	502
Impairment loss on property, plant and equipment	109	-
Impairment loss on convertible loan	4,038	-
Unrealised exchange gain on convertible loan	(182)	-
Interest expense	2	1
Interest income	(312)	(232)
Write-down of inventories to net realisable value	6,440	-
Impairment for doubtful debts - trade, net	143	17
	<hr/>	<hr/>
<b>Operating profit before reinvestment in working capital</b>	<b>6,576</b>	<b>7,556</b>
Decrease in receivables	4,605	3,057
(Increase) / Decrease in inventories	(4,615)	3,558
Decrease in payables	(3,343)	(3,058)
	<hr/>	<hr/>
<b>Cash generated from operations</b>	<b>3,223</b>	<b>11,113</b>
Interest paid	(2)	(1)
Income tax paid	(653)	(1,181)
Interest received	266	181
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<b>Net cash provided by operating activities</b>	<b>2,834</b>	<b>10,112</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities :</b>		
Convertible loan	(3,413)	(4,038)
Interest received from convertible loan	342	-
Proceeds from disposal of property, plant and equipment	39	7
Purchase of property, plant and equipment	(2,969)	(1,063)
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(6,001)</b>	<b>(5,094)</b>
	<hr/>	<hr/>
<b>Cash flow from financing activities :</b>		
Dividends paid	(2,612)	(1,339)
Decrease in finance leases	-	(58)
Proceeds from issuance of ordinary shares	-	7,070
	<hr/>	<hr/>
<b>Net cash (used in) / provided by financing activities</b>	<b>(2,612)</b>	<b>5,673</b>
Net (decrease) / increase in cash and cash equivalents	(5,779)	10,691
Cash and cash equivalents at 1 January	28,466	17,775
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	<b>22,687</b>	<b>28,466</b>
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**1(d)(i) STATEMENT OF CHANGES IN EQUITY**

Group	Attributable to equity holders				Minority Interest S\$'000	Total Equity S\$'000
	Share Capital S\$'000	Asset Revaluation Reserve S\$'000	Retained Profits S\$'000	Total S\$'000		
	As at 1 January 2007	39,395	1,296	12,645		
Profit for the year	-	-	4,483	4,483	3	4,486
Dividends on ordinary shares	-	-	(1,339)	(1,339)	-	(1,339)
Cancellation of shares	-	-	-	-	(45)	(45)
Issue of ordinary shares	7,070	-	-	7,070	-	7,070
<b>As at 31 December 2007</b>	<b>46,465</b>	<b>1,296</b>	<b>15,789</b>	<b>63,550</b>	<b>47</b>	<b>63,597</b>
As at 1 January 2008	46,465	1,296	15,789	63,550	47	63,597
Loss for the year	-	-	(5,753)	(5,753)	(32)	(5,785)
Dividends on ordinary shares	-	-	(2,612)	(2,612)	-	(2,612)
<b>As at 31 December 2008</b>	<b>46,465</b>	<b>1,296</b>	<b>7,424</b>	<b>55,185</b>	<b>15</b>	<b>55,200</b>

Company	Share Capital	Asset Revaluation Reserve	Retained Profits	Total
As at 1 January 2007	39,395	1,296	12,652	53,343
Profit for the year	-	-	4,427	4,427
Dividends on ordinary shares	-	-	(1,339)	(1,339)
Issue of ordinary shares	7,070	-	-	7,070
<b>As at 31 December 2007</b>	<b>46,465</b>	<b>1,296</b>	<b>15,740</b>	<b>63,501</b>
As at 1 January 2008	46,465	1,296	15,740	63,501
Profit for the year	-	-	(5,579)	(5,579)
Dividends on ordinary shares	-	-	(2,612)	(2,612)
<b>As at 31 December 2008</b>	<b>46,465</b>	<b>1,296</b>	<b>7,549</b>	<b>55,310</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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the corresponding period of the immediately preceding financial year.**

None

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	31/12/2008	31/12/2007
Total number of issued shares (excluding treasury shares)	261,196,667	261,196,667

No treasury shares were issued for the period ended 31 December 2008 and for the immediately preceding period ended 31 December 2007.

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

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

The figures have not been audited nor reviewed by our auditors.

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

Not applicable.

**4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

These financial statements have been prepared based on the accounting policies and methods of computation consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2007.

**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.**

No change.

- 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.**

	<b>(Loss) / Earnings per share (EPS)</b>	<b>Group</b>	
		<b>31/12/2008</b>	<b>31/12/2007</b>
i)	Based on weighted average number of ordinary shares	(2.20) cents	1.86 cents
	Weighted average number of shares	261,196,667	240,613,334
ii)	On a fully diluted basis	(2.20) cents	1.86 cents

- 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.**

	<b>Group</b>		<b>Company</b>	
	<b>31/12/2008</b>	<b>31/12/2007</b>	<b>31/12/2008</b>	<b>31/12/2007</b>
Net asset value per ordinary share based on the existing issued share capital at the respective period	21.1 cents	24.3 cents	21.2 cents	24.3 cents

**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.**

### **Group Performance Review**

Group revenue for FY2008 decreased by 11.7% to \$60.1 million, compared to \$68.1 million for FY2007.

In the first half of the year, the Group installed a new extrusion line to replace an existing aged extrusion line, and this had resulted in a decrease in revenue as the Group operated with three extrusion lines instead of the usual four during the period April 2008 to July 2008.

In the last quarter of the year however, the global economic crisis had negatively impacted the market sentiment of the electronic consumer market, causing a sudden and drastic reduction in consumer consumption. As a result, the Group's revenue decreased significantly in the last quarter of the year.

Faltering global demand had also placed considerable amounts of downward pressure on LME aluminium prices, causing the Group to write down inventories to net realizable value. The Group reported a gross loss of \$4.1 million due to the write down of inventories. Taking out the effect of inventories write down, the Group would have recorded a gross profit of \$2.3 million.

Other operating income decreased by 1.8% to \$9.3 million, compared to \$9.4 million in FY2007. The decrease was mainly due to lower scrap sales, which was in line with lower sales.

The Group's selling & distribution cost and administrative expenses collectively increased at a slower rate of 5.2% from \$7.2 million in FY2007 to \$7.5 million in FY2008 despite inflation and general cost increases during the first three quarters. This was attributed to more subdued sales activity in the second half of FY2008.

Other operating expenses of \$4.0 million related to an impairment of a convertible loan.

Finance income increased by 34.5% to \$0.31 million, compared to \$0.23 million in FY2007. This was mainly attributed to interest income from convertible loan and interest income from higher bank deposits.

No tax expense had been provided for FY2008 operating loss and the tax credit of \$0.37 million mainly arose from capital allowances carried forward for the period.

### **Group Balance Sheet and Cash Flow Review**

Consolidated net current assets decreased by \$12.5 million mainly due to the write down of inventories to net realizable value as well as the impairment of a convertible loan. In addition, trade receivable balance was also lower resulting from lower level of revenue achieved. This was partially offset by lower trade payables.



The Group's net cash generated from operating activities was \$2.8 million, a decrease of \$7.3million from \$10.1 million in FY2007. Cash used during the year was mainly to fund the higher level of inventory.

Net cash used in investing activities for the year was \$6.0 million, an increase of \$0.9 million from \$5.1 million in FY2007. Cash used during the year was mainly due to the acquisition of extrusion machine and an investment in convertible loan.

The Group's cash used in financing activities was \$2.6 million, in contrast to \$5.7 million net cash provided in FY2007, in the absence of proceeds from the issuance of ordinary shares last year. Cash was used during the year to pay the first and final dividend of FY2007.

Overall, cash and cash equivalent stood at \$22.7 million, a decrease of \$5.8 million from \$28.5 million in FY2007.

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

The Group's results are in line with the statement made on 11 August 2008.

**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.**

The Group saw healthy order levels throughout first half of FY2008, particularly from the Electronics & Precision Engineering segment. However, the financial turmoil which hit the US in the second half of last year proved to be the turn of event, with most of the global economies subsequently entering into recession, resulting in a broad contraction in global economic activities. The demand for our customers' products fell accordingly.

In the second half of the year, the LME Aluminium price fell as global commodity prices entered a downturn. Lower LME Aluminium price resulted in heavy inventory write-down, and this exerted significant negative impact on the Group's bottom line. Ongoing volatility in LME Aluminium price will continue to have significant impact on the Group's profitability.

Going into the new financial year, the general economic environment remains dismal. This situation will likely remain so for this year, as many of the world's economies are currently in recession. The Electronics & Precision Engineering customer segment is currently undergoing a de-stocking phase and customer demands remain weak. The Construction & Infrastructure customer segment will also continue to face price competition from cheaper imports and longer payment terms. The prevailing market uncertainties are likely to continue. However, the Group is continuing to monitor and undertake measures to streamline operating costs and rationalize its production resources. As a result of such measures, coupled with our satisfactory cash level, we believe we are well positioned to ride out the difficult economic environment.

The Group will continue to seek growth by actively looking out for investment and business opportunities that may arise under the current economic environment.

**11 Dividend**

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

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

**Yes**

<b>Name of Dividend</b>	<b>First &amp; Final</b>
Dividend type	Cash
Dividend amount per share (in cents)	0.75 cents
Tax rate	Tax exempt one - tier

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

**Any dividend declared for the corresponding period of the immediately preceding financial year?**

**Yes**

<b>Name of Dividend</b>	<b>First &amp; Final</b>
Dividend type	Cash
Dividend amount per share (in cents)	1.00 cents
Tax rate	Tax exempt one - tier

**(c) Date Payable**

The proposed first and final dividend, if approved at the forthcoming Annual General meeting of the Company, will be paid on 22 May 2009.

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

Not applicable.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
**(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

- 13 Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

	Electronics and precision engineering 31/12/2008 S\$'000	Construction and infrastructure building 31/12/2008 S\$'000	Others 31/12/2008 S\$'000	Consolidated 31/12/2008 S\$'000
Revenue	52,260	7,871	-	60,131
Results :				
Segment result	(2,134)	(178)	(4,153)	(6,465)
Finance income				312
Finance costs				(2)
Loss before taxation				(6,155)
Taxation				370
Loss for the year				(5,785)

	Electronics and precision engineering 31/12/2007 S\$'000	Construction and infrastructure building 31/12/2007 S\$'000	Others 31/12/2007 S\$'000	Consolidated 31/12/2007 S\$'000
Revenue	58,334	9,783	-	68,117
Results :				
Segment result	4,791	210	-	5,001
Finance income				232
Finance costs				(1)
Profit before taxation				5,232
Taxation				(746)
Profit for the year				4,486

- 14 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Electronics and Precision Engineering Segment

Revenue from this customer segment decreased by 10.3% to \$52.3 million during the year ended 31 December 2008, compared to \$58.3 million for the previous year. Some production capacity was lost during this year when the Group installed a new extrusion line to replace an existing aged line, which resulted in the Group operating with three extrusion lines instead of the usual four during the period April to July. During the last quarter of the year, the global financial crisis weakened the market sentiment and this caused a reduction in consumer demand. Segmental results decreased consequently, in addition to the effect of inventory write-down following a significant drop in aluminium raw material price towards the end of the year.(refer to paragraph 8)

Construction and Infrastructure Segment

Revenue from this customer segment decreased by 19.4% to \$7.9 million during the year, compared to \$9.8 million for the previous year, as the Group continues to focus its effort on the Electronics and Precision Engineering segment. The continuing competition from cheaper regional imports, coupled with the write-down of raw material inventory, also resulted in decrease in segmental results for the year.

Others Segment

Loss before taxation of \$4.2m for this segment was mainly due to the impairment of a convertible loan.

**15 A breakdown of sales.**

	<b>31/12/2008</b> S\$'000	<b>31/12/2007</b> S\$'000	<b>% Increase/ (Decrease)</b>
Sales reported in first half year	32,414	33,248	(2.5)
Operating profit after tax before minority interests reported for the first half year	2,223	2,083	6.7
Sales reported in second half year	27,717	34,869	(20.5)
Operating (loss) / profit after tax before minority interests reported for the second half year	(8,008)	2,403	nm

**16 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

	<b>FY2008</b>	<b>FY2007</b>
Ordinary (one tier tax exempt)	\$1,958,975	\$2,611,967
Preference	\$0	\$0
Total annual dividend	\$1,958,975	\$2,611,967

**17 Interested Persons Transactions.**

	<b>Group</b>		<b>Company</b>	
	<b>31/12/2008</b>	<b>31/12/2007</b>	<b>31/12/2008</b>	<b>31/12/2007</b>
Aggregate value of all interested person transactions during the financial under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Nil	Nil	Nil	Nil

BY ORDER OF THE BOARD

Ngiam Zee Moey

Company Secretary

27 February 2009