



Precision Parts, Precision Partnerships.

INNOVALUES LIMITED

(Company Registration No. 199702822E)

Financial Statement And Dividend Announcement For The Financial Period Ended 31 March 2009

The Board of Directors of Innovalues Limited is pleased to announce the consolidated results for the financial period ended 31 March 2009. The figures presented below have not been audited or reviewed by the auditors of the Company.

PART I – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Note	3 MONTHS ENDED		
	31 Mar 2009	31 Mar 2008	Increase / (decrease)
	S\$'000	S\$'000	%
Revenue	16,278	28,657	(43.2)%
Cost of sales	(17,360)	(23,082)	(24.8)%
Gross (loss) / profit	(1,082)	5,575	N.M.
Other items of income			
Interest income	10	12	(16.7)%
Other credits	84	1,304	(93.6)%
Other items of expenses			
Marketing and distribution costs	(497)	(872)	(43.0)%
Administrative expenses	(2,157)	(2,306)	(6.5)%
Finance costs	(553)	(590)	(6.3)%
Other charges	(459)	(22)	1,986.4 %
(Loss) / profit before taxation	(4,654)	3,101	N.M.
Income tax expense	(186)	(119)	56.3 %
Net (loss) / profit	(4,840)	2,982	N.M.
Attributable to:			
Equity holders of the parent	(4,840)	3,012	N.M.
Minority interests	-	(30)	N.M.
Net (loss) / profit	(4,840)	2,982	N.M.

Note: N.M. – Not meaningful

1(a)(ii) Breakdown and explanatory notes to the income statement

Note 1 Other credits and charges comprise the following:

	3 MONTHS ENDED		
	31 Mar 2009	31 Mar 2008	Increase / (decrease)
	S\$'000	S\$'000	%
Foreign exchange transaction losses, net	(459)	(22)	1,986.4 %
Gain on disposal of plant and equipment	-	52	N.M.
Fair value gain on financial instruments	-	1,239	N.M.
Other income	84	13	546.2 %
Net	(375)	1,282	N.M.
Presented in the income statement as:			
Other credits	84	1,304	(93.6)%
Other charges	(459)	(22)	1,986.4 %
	(375)	1,282	N.M.

Note 2 Finance costs comprise the following:

	3 MONTHS ENDED		
	31 Mar 2009	31 Mar 2008	Increase / (decrease)
	S\$'000	S\$'000	%
Interest paid and payable to banks for:			
- overdrafts	(2)	(1)	100.0 %
- term loans	(547)	(587)	(6.8)%
Hire purchase interest	(4)	(2)	100.0 %
Total	(553)	(590)	(6.3)%

Note 3 (Loss) / profit before taxation is stated after charging the following:

	3 MONTHS ENDED		
	31 Mar 2009	31 Mar 2008	Increase / (decrease)
	S\$'000	S\$'000	%
Depreciation expense	(2,694)	(2,650)	1.7 %
Amortisation charge	(8)	(9)	(11.1)%

Note 4 Income tax comprises the following:

	3 MONTHS ENDED		
	31 Mar 2009	31 Mar 2008	Increase / (decrease)
	S\$'000	S\$'000	%
Current tax	(25)	(62)	(59.7)%
Deferred tax	(161)	(57)	182.5 %
Total income tax expense - current year	<u>(186)</u>	<u>(119)</u>	56.3 %

Note: 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

Note	Group		Company	
	31 Mar 2009	31 Dec 2008	31 Mar 2009	31 Dec 2008
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	68,222	68,399	391	412
Land use rights	510	516	-	-
Investments in subsidiaries	-	-	25,325	25,325
Deferred tax asset	-	130	-	-
	68,732	69,045	25,716	25,737
Current assets				
Income tax recoverable	476	452	-	-
Inventories	28,715	34,011	1,440	6,150
Trade and other receivables	14,824	23,406	29,507	30,925
Other assets	1,180	1,066	59	59
Cash and cash equivalents	13,901	12,680	6,855	6,355
	59,096	71,615	37,861	43,489
Total assets	127,828	140,660	63,577	69,226
Equity attributable to equity holders of the parent				
Share capital	11,357	11,357	11,357	11,357
Retained earnings	41,703	46,543	2,613	4,106
Other reserves	4,135	1,860	1,217	1,077
	57,195	59,760	15,187	16,540
Minority interest	-	-	-	-
Total equity	57,195	59,760	15,187	16,540
Non-current liabilities				
Deferred tax liabilities	31	-	18	18
Interest-bearing borrowings	5,034	16,564	1,067	11,917
Obligations under finance leases	467	130	467	130
	5,532	16,694	1,552	12,065
Current liabilities				
Income tax payable	15	84	-	-
Trade and other payables	17,549	26,588	13,246	17,169
Interest-bearing borrowings	47,396	37,487	33,451	23,405
Obligations under finance leases	141	47	141	47
	65,101	64,206	46,838	40,621
Total liabilities	70,633	80,900	48,390	52,686
Total equity and liabilities	127,828	140,660	63,577	69,226

Note to the consolidated statement of balance sheet

Note A. Inventories comprise the following:

	Group		Increase / (decrease)
	31 Mar 2009	31 Dec 2008	
	<u>S\$'000</u>	<u>S\$'000</u>	%
Finished goods	10,489	13,955	(24.8)%
Work in progress	3,097	4,398	(29.6)%
Raw materials and consumables	15,129	15,658	(3.4)%
	28,715	34,011	(15.6)%

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

Amount repayable in one year or less, or on demand

As at 31 Mar 2009		As at 31 Dec 2008	
Secured	Unsecured	Secured	Unsecured
<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
141	47,396	47	37,487

Amount repayable after one year

As at 31 Mar 2009		As at 31 Dec 2008	
Secured	Unsecured	Secured	Unsecured
<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
467	5,034	130	16,564

Details of any collateral

Secured borrowings at 31 March 2009 and 31 December 2008 refer to obligations under finance leases that are secured by plant and equipment purchased under finance leases.

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

Note	Group	
	31 Mar 2009	31 Mar 2008
	S\$'000	S\$'000
Operating activities		
(Loss) / profit before taxation	(4,654)	3,101
Adjustments for:		
Interest expense	553	590
Interest income	(10)	(12)
Depreciation of property, plant and equipment	2,694	2,650
Amortisation of land use rights	8	9
Gain on disposal of property, plant and equipment	-	(52)
Fair value gain on financial instruments	-	(1,239)
Share option expense	140	71
Operating cash flows before changes in working capital	(1,269)	5,118
Changes in working capital:		
Inventories	5,296	(4,842)
Trade and other receivables	8,455	148
Trade and other payables	(9,038)	2,355
Cash used in operations before interest and tax	3,444	2,779
Income tax paid	(111)	(113)
Net cash flows from operating activities	3,333	2,666
Investing activities		
Proceeds from sale of property, plant and equipment	9	823
Purchase of property, plant and equipment	(166)	(3,262)
Interest received	10	12
Net cash flows used in investing activities	(147)	(2,427)
Financing activities		
Interest paid	(553)	(590)
Decrease in interest-bearing loans & borrowings, net	(3,644)	(1,316)
Finance leases repayment	(28)	(97)
(Increase) / decrease in cash restricted in use	(5)	122
Net cash flows used in financing activities	(4,230)	(1,881)
Net decrease in cash and cash equivalents	(1,044)	(1,642)
Cash and cash equivalents at beginning of the year	12,543	10,203
Effect of exchange rate changes on balances held in foreign currencies	2,264	682
Cash and cash equivalents at end of the period	A 13,763	9,243

Note to the consolidated statement of cash flows

Note A. Cash and cash equivalents comprise the following:

	Group	
	31 Mar 2009	31 Mar 2008
	S\$'000	S\$'000
Cash and cash equivalents per cash flow statement	13,763	9,243
Bank overdrafts	-	69
Cash restricted in use	138	140
Cash and cash equivalents as per balance sheet	13,901	9,452

Cash restricted in use refers to bank balances held by banks for one of the wholly-owned subsidiaries to cover bank guarantees issued.

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 capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		Company	
	31 Mar 2009	31 Mar 2008	31 Mar 2009	31 Mar 2008
	S\$'000	S\$'000	S\$'000	S\$'000
SHARE CAPITAL				
Balance at beginning of period	11,357	11,357	11,357	11,357
Balance at end of the period	11,357	11,357	11,357	11,357
RETAINED EARNINGS				
Balance at beginning of period	46,543	45,351	4,106	4,997
Net (loss) / profit for the period	(4,840)	3,012	(1,493)	824
Balance at end of the period	41,703	48,363	2,613	5,821
OTHER RESERVES				
Capital reserve				
Balance at beginning of period	1,212	1,212	-	-
Balance at end of the period	1,212	1,212	-	-
Currency translation reserve				
Balance at beginning of period	(1,428)	1,544	-	-
Translation differences relating to financial statements of foreign subsidiaries	2,135	(1,944)	-	-
Balance at end of the period	707	(400)	-	-
Share option reserve				
Balance at beginning of period	1,077	717	1,077	717
Share option expense	140	71	140	71
Balance at end of the period	1,217	788	1,217	788
Statutory reserve				
Balance at beginning of period	999	733	-	-
Balance at end of the period	999	733	-	-
TOTAL OTHER RESERVES	4,135	2,333	1,217	788
TOTAL ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	57,195	62,053	15,187	17,966
MINORITY INTEREST				
Balance at beginning of period	-	165	-	-
Currency translation differences	-	(7)	-	-
Net profit for the period	-	(30)	-	-
Balance at end of the period	-	128	-	-
TOTAL EQUITY	57,195	62,181	15,187	17,966

- 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 current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

(A) Share Capital

During the three months ended 31 March 2009, there was no movement in the Company's share capital.

(B) Convertibles

Share Options

The Company has an employee share option scheme known as the "Innovalues Group Share Option Scheme 2001" which forms an integral component of the compensation plan designed to reward and retain eligible participants whose services are vital to its well being and success.

As at 31 March 2009, there were 6,656,000 outstanding share options which would entitle the holders to subscribe for a total of 6,656,000 ordinary shares of the Company (31 March 2008: 8,336,000).

Save as disclosed above, the Company has no other outstanding convertibles and treasury shares as at 31 March 2009 and 31 March 2008.

- 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.**

The total number of issued shares excluding treasury shares as at 31 March 2009 was 318,194,000 (31 December 2008: 318,194,000).

- 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 or reviewed by the auditors of the Company.

- 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

The Group and the Company have adopted the same accounting policies and methods of computation in the financial statements for the current year as those applied in their audited financial statements for the year ended 31 December 2008.

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

None

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 / (loss) per ordinary share of the Group, after deducting any provision for preference dividends (in cents):	3 MONTHS ENDED	
	31 Mar 2009	31 Mar 2008
(a) Based on the weighted average number of ordinary shares on issue	(1.52)	0.94
(b) On a fully diluted basis	(1.52)	0.94

Earnings per share for the financial period ended 31 March 2009 is computed based on the weighted average number of ordinary shares in issue during the period of 318,194,000.

Diluted earnings per share for the financial period ended 31 March 2009 is computed based on the adjusted weighted average number of ordinary shares in issue during the period of 318,194,000.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	Group		Company	
	31 Mar 2009	31 Dec 2008	31 Mar 2009	31 Dec 2008
Net asset value per ordinary share based on issued share capital at the end of the financial year (in cents)	17.97	18.78	4.77	5.20

Net asset value per ordinary share as at 31 March 2009 is calculated based on the existing issued share capital of 318,194,000 ordinary shares outstanding as at 31 March 2009 (31 December 2008: 318,194,000).

- 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**

Income Statement

Overview

The Group incurred S\$4.8 million loss attributable to shareholders in the first 3 months ended 31 March 2009 ("Q109") compared to a net profit of S\$3.0 million in the first 3 months ended 31 March 2008 ("Q108"). The loss was primarily due to the decrease in revenue, rescheduling of production at the request of customers, weak factory orders leading to the under-utilization of our manufacturing capacity, net losses in foreign exchange differences and one-off cost incurred in restructuring the workforce in Q109, caused by the current global financial crisis.

Revenue

Business Activity	3 MONTHS ENDED			
	31 Mar 09 S\$'000	31 Mar 08 S\$'000	+ / (-) S\$'000	+ / (-) %
Office Automation ("OA")	12,979	16,847	(3,868)	(23.0%)
Automotive ("AU")	2,580	9,199	(6,619)	(72.0%)
Hard Disk Drive ("HDD")	124	1,420	(1,296)	(91.3%)
Others	595	1,191	(596)	(50.0%)
	16,278	28,657	(12,379)	(43.2%)

The Group's revenue decreased by approximately S\$12.4 million or 43.2% over the corresponding period mainly due to the significant decline in demand for our products across all sectors caused by the global economic slowdown. Despite decline in revenue in our OA segment, it continues to be our largest revenue contributor at about 79.7% of total revenue.

The decline in revenue from our OA segment was attributed to Malaysia, China and Singapore but offset by the increase in revenue from American markets.

Cost of sales

Cost of sales decreased in Q109 by approximately S\$5.7 million or 24.8% as compared to Q108. Cost of sales includes variances (favourable and unfavourable) arising from efficiency and productivity of our production operations and level of utilization of our manufacturing capacity. The decline in cost of sales did not correspond with the decline in revenue owing to weak factory orders. This resulted in the under-utilization of our manufacturing capacity which in turn caused the loss of economies of scale and hence higher costs of production in Q109. This was despite lower spending on labour costs from reduced manpower by approximately 1,000 and shorter working weeks in Q109.

Gross (loss) / profit margin

The Group recorded a gross loss of S\$1.1 million or negative 6.6% of revenue for Q109 compared to a gross profit of \$5.6 million, or 19.5% of revenue in Q108. Other than reasons given under cost of sales (above), this was also due to sales rebates given to certain customers for their continued strong support during the poor economic climate in Q109.

Other credits

Other credits decreased in Q109 by approximately S\$1.2 million or 93.6% over the corresponding period mainly due to the fair value gain of S\$1.2 million on financial instruments reported in Q108.

Marketing and distribution costs

Marketing and distribution costs in Q109 decreased by approximately S\$375,000 or 43.0% over the corresponding period mainly due to lower delivery and travelling costs which were in line with the reduced revenue reported for Q109.

Administrative expenses

Administrative expenses in Q109 decreased by approximately S\$149,000 or 6.5% over the corresponding period mainly due to lower salary costs and other expenses.

Finance costs

Finance costs decreased marginally by approximately S\$37,000 or 6.3% over the corresponding period mainly due to the decrease in the interest rate for borrowings.

Other charges

Other charges increased in Q109 by approximately S\$437,000 over the corresponding period mainly due to the net losses in foreign exchange differences of S\$459,000 in Q109. Such loss was primarily attributed to the strengthening of USD against SGD for the underlying net liabilities denominated in USD.

Balance Sheet

Property, plant and equipment (“PPE”)

Property, plant and equipment decreased by approximately S\$200,000 from S\$68.4 million as at 31 December 2008 to S\$68.2 million as at 31 March 2009 mainly due to depreciation charges during the period but partly offset by stronger China Renminbi (“RMB”), Thailand Baht (“THB”) and Malaysian Ringgit (“MYR”) against Singapore Dollars (“SGD”) as of 31 March 2009 as compared to 31 December 2008. The RMB, THB and MYR appreciated by approximately 5.4%, 3.3% and 0.3% between the 2 dates. As a result of the appreciation, net book value of the PPE of our China, Thailand and Malaysian operations, after translating into SGD, appeared higher as compared to 31 December 2008.

Inventories

Inventories decreased by approximately S\$5.3 million from S\$34.0 million as at 31 December 2008 to S\$28.7 million as at 31 March 2009. This was mainly due to continuous efforts to deplete existing inventories. The effect was partly offset by the purchases of raw materials committed in 2008, the delivery of which only occurred in Q109.

Trade and other receivables

Trade and other receivables decreased by approximately S\$8.6 million from S\$23.4 million as at 31 December 2008 to S\$14.8 million as at 31 March 2009. Other than being in line with reduced revenue reported for Q109, the decrease was mainly due to healthy and prompt collection. Accordingly, no provision for doubtful trade receivables was required for Q109.

Cash and cash equivalents

Cash and cash equivalents, net of bank overdraft and cash restricted in use increased by approximately S\$1.3 million from S\$12.5 million as at 31 December 2008 to S\$13.8 million as at 31 March 2009 mainly due to net cash generated from the operating activities of the Group but partly offset by scheduled repayment of outstanding interest-bearing loans and borrowings that was agreed and planned between the bankers and Company.

Minority Interest

During the last quarter of the financial year 2008, the Company successfully completed the acquisition of the remaining 20% shareholdings in one of our Malaysian subsidiaries held by a minority shareholder. As a result of this acquisition, there is no minority interest in the balance sheet as at 31 March 2009.

Trade and other payables

Trade and other payables decreased by approximately S\$9.1 million from S\$26.6 million as at 31 December 2008 to S\$17.5 million as at 31 March 2009. In line with the Group's effort to deplete its existing inventories, the decrease was mainly due to the significantly reduced purchases in Q109.

Interest-bearing borrowings

Net interest-bearing borrowings decreased by approximately S\$1.6 million from S\$54.0 million as at 31 December 2008 to S\$52.4 million as at 31 March 2009. The decrease was mainly due to the net repayment of S\$3.6 million during the period but offset by foreign currency exchange differences of approximately S\$2.0 million arose from translating non-S\$ denominated borrowings to S\$, the reporting currency of the Company, as at 31 March 2009.

As a result of the operating loss incurred in Q109, the Group had breached bank covenants imposed by two of its principal bankers. As at to-date, waivers of the breached covenants have been granted by these principal bankers. However, as a result of these breaches as at 31 March 2009, in accordance with FRS1, non-current borrowings from one of the affected principal banks amounting to S\$11.3 million have been reclassified as current liabilities in this announcement.

Notwithstanding the above, if the waivers were granted prior to 31 March 2009, the working capital position of the Group and the Company would have been as follows:

	As presented on page 4 of this announcement		If waivers were granted prior to 31 March 2009	
	Group	Company	Group	Company
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Current Assets	59,096	37,861	59,096	37,861
Current Liabilities	(65,101)	(46,838)	(53,794)	(35,531)
Net current (liabilities) / assets	(6,005)	(8,977)	5,302	2,330

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

Not applicable.

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

Although there are nascent signs that orders pattern may be improving, the operating environment remains challenging.

Whilst the Group awaits the global economy to recover, no time was wasted during the first three months of the financial year 2009 to adjust its operation and strategies to mitigate the impact brought upon by this global economic crisis so as to emerge with greater resilience by the time this economic crisis is over. Other than doing the expected of controlling overheads, the Group has introduced drastic staff cost reduction programs. In Q109, total workforce in the Group was reduced by approximately 1,000 from 2,600 as of 31 December 2008 to 1,600 as of 31 March 2009. In addition, to further bring down operating costs, the Group has adopted shorter work-week across the Group in months when orders from customers were low.

Going forward, the Group will continue to take careful steps to further mitigate the impact of the downturn with a focus of not affecting the Group's efficiency and ability to fulfill customers' orders. The Group had seen encouraging results from the measures taken to bring down inventory level since the beginning of the financial year and will continue to further improve working capital management. The Group does not expect any significant capital expenditure in 2009.

Although the Group's cash position was S\$13.9 million as at 31 March 2009, given the level of financial liabilities, the Group will continue to place emphasis on financial prudence to maintain a sound financial position with vigorous cash and working capital management.

11 Dividend

(a) Current Financial Period Reported On

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

Name of Dividend	:	Not applicable
Dividend Type	:	Not applicable
Dividend Amount per Share (in cents)	:	Not applicable
Tax Rate	:	Not applicable

(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 or recommended, a statement to that effect

No dividend has been declared or recommended.

13 Statement pursuant to Rule 705(4) of the Listing Manual

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to its attention of which may render the interim financial statement for the financial period ended 31 March 2009 to be false or misleading in any aspect.

BY ORDER OF THE BOARD

Goh Leng Tse
Chairman and Chief Executive Officer

13 May 2009