

Financial Statement And Dividend Announcement For The Financial Period Ended 30 September 2008

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

UNAUDITED RESULTS FOR THIRD QUARTER & NINE MONTHS ENDED 30 SEPTEMBER 2008

	Note	Group			Group		
		9 months Ended 30/09/08 \$'000	9 months Ended 30/09/07 \$'000	Increase / (decrease) %	3Q 2008 Ended 30/09/08 \$'000	3Q 2007 Ended 30/09/07 \$'000	Increase / (decrease) %
Revenue	1	95,695	91,886	4.1	37,377	32,986	13.3
Cost of sales		(81,524)	(75,502)	8.0	(32,388)	(30,531)	6.1
Gross profit		14,171 14.8%	16,384 17.8%	(13.5)	4,989 13.3%	2,455 7.4%	103.2
Other items of income/(expense)							
Interest income		47	28	67.9	23	12	91.7
Other charges	2	(29)	(163)	(82.2)	(614)	(5)	12,180.0
Fair value loss on financial instruments	3	(1,042)	-	NM	(2,219)	-	NM
Other items of expenses							
Marketing & distribution expenses		(1,398)	(1,323)	5.7	(600)	(461)	30.2
Administrative expenses	4	(7,376)	(7,973)	(7.5)	(2,661)	(2,618)	1.6
Financial expenses	5	(1,870)	(1,614)	15.9	(730)	(598)	22.1
Profit / (Loss) before taxation		2,503	5,339	(53.1)	(1,812)	(1,215)	49.1
Taxation		70	(737)	NM	198	(193)	NM
Profit / (Loss) after taxation		2,573	4,602	(44.1)	(1,614)	(1,408)	14.6
Attributable to:							
Equity holders of the parent		2,613	4,615	(43.4)	(1,622)	(1,395)	16.3
Minority interest		(40)	(13)	207.7	8	(13)	NM
		2,573	4,602	(44.1)	(1,614)	(1,408)	14.6

NM - Not meaningful

1(a)(ii) Additional information for the income statement

	5	Group			Group		
		9 months Ended 30/09/08 \$'000	9 months Ended 30/09/07 \$'000	Increase / (decrease) %	3Q 2008 Ended 30/09/08 \$'000	3Q 2007 Ended 30/09/07 \$'000	Increase / (decrease) %
Other income including interest income		154	89	73.0	44	28	57.1
Interest on borrowings		(1,870)	(1,614)	15.9	(730)	(598)	22.1
Depreciation & amortisation		(7,815)	(7,273)	7.5	(2,564)	(2,555)	0.4
Foreign exchange loss, net		(276)	(232)	19.0	(647)	(19)	3,305.3
Gain / (loss) on sale of property, plant & equipment		139	7	1,885.7	12	(2)	(700.0)

Note 1

	Group			Group		
	9 months Ended 30/09/08 \$'000	9 months Ended 30/09/07 \$'000	Increase / (decrease) %	3Q 2008 Ended 30/09/08 \$'000	3Q 2007 Ended 30/09/07 \$'000	Increase / (decrease) %
Revenue						
Office Automation	62,195	64,792	(4.0)	26,336	22,915	14.9
Hard Disk	3,781	1,611	134.7	947	608	55.8
Automotive	26,393	21,447	23.1	8,988	7,830	14.8
Others	3,326	4,036	(17.6)	1,106	1,633	(32.3)
	95,695	91,886	4.1	37,377	32,986	13.3

Note 2**Other charges**

Gain / (loss) on sales of property, plant and equipment
 Foreign exchange loss, net
 Miscellaneous income

9 months Ended 30/09/08 \$000	9 months Ended 30/09/07 \$000	Increase / (decrease) %	3Q 2008 Ended 30/09/08 \$000	3Q 2007 Ended 30/09/07 \$000	Increase / (decrease) %
139	7	1,885.7	12	(2)	NM
(276)	(232)	19.0	(647)	(19)	3,305.3
108	62	74.2	21	16	31.3
(29)	(163)	(82.2)	(614)	(5)	12,180.0

Note 3

Mark-to-market losses on financial instruments.

Note 4

The year-on-year decrease in administrative expenses is attributable to lower payroll and rental.

Note 5

The increase in financial expenses is attributable to higher financing cost on bank borrowings.

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	
	30/09/08 \$'000	31/12/07 \$'000	30/09/08 \$'000	31/12/07 \$'000
ASSETS				
<u>Non-current assets</u>				
Property, plant & equipment	69,255	71,655	441	527
Goodwill	73	73	-	-
Investments in subsidiaries	-	-	25,572	15,659
Total non-current assets	69,328	71,728	26,013	16,186
<u>Current assets</u>				
Income tax recoverable	399	637	13	2
Inventories	34,285	24,197	4,576	4,084
Trade & other receivables	28,201	24,283	34,439	39,957
Other assets	1,243	1,406	103	61
Cash and cash equivalents	14,309	10,922	7,928	5,475
Total current assets	78,437	61,445	47,059	49,579
Total Assets	147,765	133,173	73,072	65,765
EQUITY & LIABILITIES				
<u>Equity</u>				
Share capital	11,357	11,357	11,357	11,357
Retained earnings	47,965	45,351	5,611	4,997
Other reserves	1,813	4,206	929	717
Equity, attributable to equity holders of the parent	61,135	60,914	17,897	17,071
Minority Interests	112	165	-	-
Total Equity	61,247	61,079	17,897	17,071
<u>Non current liabilities</u>				
Deferred tax	340	936	18	18
Other financial liabilities	13,470	8,876	9,120	-
Finance leases	142	245	142	178
Total non-current liabilities	13,952	10,057	9,280	196
<u>Current liabilities</u>				
Income tax payable	-	70	-	-
Trade & other payables	28,384	19,651	17,459	20,922
Other financial liabilities	43,093	42,024	27,729	27,302
Financial instruments	1,042	227	660	227
Finance leases	47	65	47	47
Total current liabilities	72,566	62,037	45,895	48,498
Total Liabilities	86,518	72,094	55,175	48,694
Total Equity & Liabilities	147,765	133,173	73,072	65,765

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

Amount repayable in one year or less, or on demand

As at 30/09/08		As at 31/12/07	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
47	43,093	65	42,024

Amount repayable after one year

As at 30/09/08		As at 31/12/07	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
142	13,470	245	8,876

Details of any collateral

The finance leases are secured by the lessors' charges over the leased assets.

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

	9 months Ended 30/09/08 \$'000	9 months Ended 30/09/07 \$'000
Cash flows from operating activities		
Profit before taxation	2,503	5,339
<u>Adjustments for:</u>		
Interest income	(47)	(28)
Interest expense	1,870	1,614
Depreciation expense	7,815	7,273
Gain on disposal of plant and equipment	(139)	(7)
Fair value loss on derivative financial instruments	1,042	-
Share-based payment expense	212	100
Operating cash flows before changes in working capital	13,256	14,291
Inventories	(10,088)	(6,989)
Trade and other receivables (including other assets)	(3,755)	(8,021)
Decrease / (increase) in cash restricted in use	127	(114)
Trade and other payables	8,733	8,326
Net cash flows from operations before interest & tax	8,273	7,493
Income taxes paid	(358)	(1,164)
Net cash flow from operating activities	7,915	6,329
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	939	4,362
Purchase of property, plant and equipment	(10,198)	(25,398)
Minority interest arising from additional investment in subsidiary	-	216
Interest received	47	28
Net cash used in investing activities	(9,212)	(20,792)
Cash flows from financing activities		
Dividend paid by the company	-	(4,773)
Proceeds from issuance of shares	-	517
Increase in short-term borrowings	248	14,831
Increase / (decrease) in term loans	4,744	(1,064)
Payment to hire-purchase creditors	(120)	(171)
Interest paid	(1,870)	(1,614)
Net cash flows from financing activities	3,002	7,726
Net effect of exchange rate changes in consolidating subsidiaries	1,365	(193)
Net increase / (decrease) in cash and cash equivalents	3,070	(6,930)
Cash and cash equivalents at the beginning of the year	10,203	9,904
Cash and cash equivalents at the end of the period	13,273	2,974

Note 6

Note 6

Cash and Bank Balances per cash flow statement
 Bank overdrafts
 Cash restricted in use
Cash and Bank Balances as per balance sheet

30/09/08 S\$'000	30/09/07 S\$'000
13,273	2,974
901	244
135	305
14,309	3,523

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

	Group		Company	
	30/09/08 \$'000	30/09/07 \$'000	30/09/08 \$'000	30/09/07 \$'000
Share capital				
Balance at beginning of the year	11,357	10,840	11,357	10,840
Issuance of shares	-	517	-	517
Balance at end of the period	11,357	11,357	11,357	11,357
Capital reserve				
Balance at beginning of the year	1,212	1,261	-	-
Prior year adjustment	-	(49)	-	-
Balance at end of the period	1,212	1,212	-	-
Share option reserve				
Balance at beginning of the year	717	382	717	382
Cost of share-based payment	212	100	212	24
Balance at end of the period	929	482	929	406
Translation reserve				
Balance at beginning of the year	1,544	(1,130)	-	-
Translation differences	(2,605)	1,485	-	-
Balance at end of the period	(1,061)	355	-	-
Statutory reserve				
Balance at beginning of the year	733	434	-	-
Transfer from retained earnings	-	191	-	-
Balance at end of the period	733	625	-	-
Retained earnings				
Balance at beginning of the year	45,352	47,509	4,997	11,202
Prior year adjustments	-	49	-	-
Transfer to statutory reserve	-	(191)	-	-
Dividend paid	-	(4,773)	-	(3,177)
Profit for the period	2,613	4,614	614	(177)
Balance at end of the period	47,965	47,208	5,611	7,848
Equity, attributable to equity holders of the parent	61,135	61,239	17,897	19,611
Minority interest				
Balance at beginning of the year	165	-	-	-
Net profit	(40)	(13)	-	-
Translation differences	(13)	6	-	-
Balance at end of the period	112	(7)	-	-
Total equity	61,247	61,232	17,897	19,611

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.

There were no changes in the Company's issued share capital since 31 December 2007.

	30/09/08	30/09/07
Outstanding share options to subscribe for ordinary shares	8,336,000	5,936,000

Each outstanding share option would entitle the holder to subscribe for an ordinary share of the Company. Save as disclosed above, the Company has no other outstanding convertibles and treasury shares as at 30 September 2008 and 31 December 2007.

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 30 September 2008 was 318,194,000 (31 December 2007: 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.**

There are no treasury shares as at 30 September 2008.

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.

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

3 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 has applied the same accounting policies and methods of computation in the financial statements for the financial period ended 30 September 2008 as in the audited financial statements as at 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.**

There were no significant change to the accounting policies during the period.

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:-**

	Group		Group	
	9 months Ended 30/09/08	9 months Ended 30/09/07	3Q 2008 Ended 30/09/08	3Q 2007 Ended 30/09/07
	Cents	Cents	Cents	Cents
Earnings per ordinary share for the period after deducting any provision for preference dividends :-				
a) Based on weighted average number of ordinary shares on issue	0.82	1.45	(0.51)	(0.44)
b) On a fully diluted basis	0.82	1.45	(0.51)	(0.44)

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	
	30/09/08	31/12/07	30/09/08	31/12/07
	Cents	Cents	Cents	Cents
Net asset value per ordinary share based on the total number of issued shares excluding treasury shares at the end of the reporting period	19.25	19.20	5.62	5.36

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.

Income statement

Year on Year

Revenue

Revenue increased by S\$3.8m or 4.1%. The increase was mainly attributable to higher sales for the Hard Disk segment ("HDD") and Automotive segment ("Auto"), which registered an increase of S\$2.2m and S\$4.9m respectively.

However, the increases in the HDD & Auto were weighed down by the Office Automation segment ("OA") and Others segment ("Others") which registered decreases of S\$2.6m and S\$0.7m respectively.

Gross Profit Margin

Gross profit margin decreased by 3% largely due to:

- i) higher depreciation and tooling costs - increased by 1.6% of sales;
- ii) higher manufacturing overheads - increased by 1.2% of sales.

Profit before tax

Profit before tax decreased by S\$2.8m mainly due to:

- i) lower gross profit, which dropped by S\$2.2m;
- ii) mark-to-market loss of S\$1.0m for financial instruments;
- iii) higher financing costs on bank borrowings of S\$0.3m; offset by
- iv) lower administrative expenses of S\$0.6m, mainly from lower payroll and rental; and
- v) gain on disposal of property, plant and equipment amounting to \$0.1m.

Quarter on Quarter

Revenue

Revenue increased by S\$4.4m or 13.3%. The increase was mainly attributable to higher sales for all segments; with the exception of Others.

The biggest increase came from OA, S\$3.4m or 14.8%, over the previous quarter. Auto was also S\$1.2m or 14.8% higher quarter on quarter. The largest percentage increase came from HDD, which saw an increase of 55% to S\$0.9m. However, Others decreased by \$0.5m or 39.7% due to lower demand from customers.

Gross Profit Margin

Gross profit margin improved by 5.9% as a result of:

- i) increase in selling price during Q3;
- ii) lower material costs mainly due to stocking-up offset by higher depreciation and tooling costs.

Loss before tax

Despite the increase in gross profit of \$2.5m, the Group registered a loss of S\$1.8m mainly due to:

- i) mark-to-market loss on financial instruments amounting to S\$2.2m;
- ii) higher realised foreign exchange losses on trade transactions; and
- iii) higher financing costs on bank borrowings of S\$0.1m.

Balance Sheet

Inventories

The Group's inventories increased as a result of stocking-up in anticipation of higher raw material prices in Q4 as well as to support higher orders from certain office automation and automotive customers.

Cash & cash equivalents / cash flow

The Group's cash position increased by S\$3.4m during the current financial period. Net cash flow from operating activities before tax also improved by S\$0.6m or 8% compared to the corresponding financial period.

The improvement in cash flow from operating activities is due to tighter credit control that reduced the outflow from trade debtors, despite higher inventory requirements.

Trade & other payables

The increase in Trade & other payables is mainly due to purchases of machineries and higher-priced raw materials to support the higher sales volume.

Trade & other receivables

The increase in Trade & other receivables is mainly due to increased orders from certain Office Automation and Automotive customers.

Bank borrowings

The Company's non-current borrowings increased as a result of conversion of a portion of the short-term loans into term loans as these borrowings are used to finance capital expenditures.

Additional short term loans were also drawn-down for working capital requirements.

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

The Company did not issue any forecast or prospect statement for the quarter ended 30 September 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 has been actively expanding its Automotive component business and has been successful in increasing its program offerings to existing customers. The Group has also passed the preliminary qualification phase for a new component and is awaiting mass production to commence in 2009.

Fluctuations in foreign exchange rates and prices of raw materials will continue to impact the Group's profitability. The Group will closely monitor the developments in these areas in order to take necessary measures to minimise any adverse impact on its performance.

In view of the uncertainties in the present economic environment, the business outlook remained challenging. Therefore, the Group intends to focus on adopting tighter cost control measures and will work towards improving production efficiency.

11 **If a decision regarding dividend has been made:-**

(a) Whether an interim (final) ordinary dividend has been declared (recommended);

Not applicable.

c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

d) The date the dividend is payable.

Not applicable.

e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

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

No dividend has been recommended/declared for the financial period ended 30 September 2008.

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

The Directors wish to confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the Group's unaudited financial results for period ended 30 September 2008 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

**GOH LENG TSE
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
30 October 2008**



Precision Parts, Precision Partnerships.

Innovalues Limited

Blk 9, Kallang Place, #07-08

Singapore 339154

Tel: (65) 6298 2374

Fax: (65) 6298 2375

FOR IMMEDIATE RELEASE

Higher sales across major business segments boosts Innovalues' 3Q08 revenue by 13.3% to S\$37.4 million

- Gross margin improved by 5.9% on back of better selling prices and lower raw material costs
- Automotive segment continued upward momentum, increasing by 14.8% to S\$9.0 million

Singapore, 30 October 2008 - SGX Mainboard-listed Innovalues Limited ("Innovalues"), a leading manufacturer of precision machined components for the Automotive ("AU") segment as well as customised precision components for the Office Automation ("OA") and Hard Disk Drive ("HDD") industries, has today announced its 3Q08 results posting a revenue gain of 13.3% to reach S\$37.3 million in 3Q08 from S\$33.0 million in 3Q07.

Financial and Operations Review

Revenue	9M08	9M07	% Change	3Q08	3Q07	% Change
Office Automation	62,195	64,792	-4.0%	26,336	22,915	14.9%
Hard Disk	3,781	1,611	134.7%	947	608	55.8%
Automotive	26,393	21,447	23.1%	8,988	7,830	14.8%
Others	3,326	4,036	-17.6%	1,106	1,633	-32.3%
Total Revenue	95,695	91,886	4.1%	37,377	32,986	13.3%

Sales from OA, AU and HDD segments all showed marked improvement during the quarter despite the weak economic outlook. Innovalues' AU segment maintained its growth momentum registering a jump of 14.8% to hit S\$9.0 million in 3Q08. The Group was also able to buck the weak quarterly OA sales trend of the previous two quarters, posting a gain of 14.9% to S\$26.3 million. In line with stronger sales figures, Gross profit also grew by 103.2% from S\$2.5 million in 3Q07 to S\$5.0 million in 3Q08.

The Group entered into derivative currency contracts for hedging purposes. However, due to the recent volatility in foreign exchange rates, the Group suffered mark-to-market losses of S\$2.2 million for 3Q08.

Excluding the mark-to-market losses, the Group's operations would have generated a net profit of S\$0.4 million compared to a loss of S\$1.4 million in the corresponding period last year.

Prospects and Future Plans

The Group has been actively expanding its AU component business and has been successful in increasing its program offerings to existing customers. The Group has also passed the preliminary qualification phase for a new component and is awaiting mass production to commence in 2009.

Fluctuations in foreign exchange rates and prices of raw materials will continue to impact the Group's profitability. The Group will closely monitor the developments in these areas in order to take necessary measures to minimise any adverse impact on its performance.

In view of the uncertainties in the present economic environment, the business outlook remains challenging. Therefore, the Group intends to focus on adopting tighter cost control measures and will work towards improving production efficiency.

- End -

About Innovalues Limited

Innovalues' expertise is in the manufacturing of customized precision machined parts and components and assembly of rubber rollers, electronics and mechanical devices. These products are mainly used in automotives' safety features, office automation equipment and hard disk drives (HDD). The Group's capabilities include manufacture of ultra-high precision parts and high volume manufacturing capacity.

Established in 1997 by founder Mr Goh Leng Tse, Innovalues has grown aggressively through customer acquisition and regionalization. From humble beginnings, the Group has become a major supplier of high precision parts and components and is listed on the Singapore Exchange, Main Board. Some of our major customers include multi-national corporations such as Sensata (TI), Siemens VDO, Hewlett-Packard, Flextronics, Hilite, Samsung and Lexmark.

Headquartered in Singapore, the Group has operations in Singapore, Malaysia, Thailand and China. Today, its total staff strength exceeds 2,900 and it occupies manufacturing space of more than 60,000 sq m. For more information, please visit our website at www.innovalues.com.

Issued for and on behalf of Innovalues Limited

By Financial PR Pte Ltd

For more information, contact:

Adrian Seah, staff@financialpr.com.sg

Tel: (65) 6438 2990 Fax: (65) 6438 0064