



## Multi-Chem Limited

*(Incorporated in Singapore. Registration Number: 198500318Z)*

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## Interim Financial Statements

*For the financial period from 1 January 2008 to 30 September 2008*

**Multi-Chem Limited**

Registration No. 198500318Z

**Interim Financial Statements**

For the financial period from 1 January 2008 to 30 September 2008

**CONSOLIDATED INCOME STATEMENT**

Group	3 months ended			9 months ended		
	30/09/2008 \$'000	30/09/2007 \$'000	Change %	30/09/2008 \$'000	30/09/2007 \$'000	Change %
<b>Sales</b>	40,705	38,922	5	106,946	102,607	4
Cost of sales	(31,988)	(27,334)	17	(83,162)	(76,295)	9
<b>Gross profit</b>	8,717	11,588	(25)	23,784	26,312	(10)
Other (losses)/ gains – net	(104)	405	(126)	1,578	805	96
Expenses						
- Distribution and marketing	(1,011)	(919)	10	(3,167)	(2,534)	25
- Administrative expenses	(4,588)	(3,722)	23	(16,476)	(11,201)	47
Finance expense	(316)	(294)	7	(670)	(1,236)	(46)
Share of profit/ (loss) of associated company	26	(22)	(218)	(72)	(125)	(42)
<b>Profit before income tax</b>	2,723	7,036	(61)	4,976	12,021	(59)
Income tax expense	(1,040)	(1,128)	(8)	(2,024)	(2,732)	(26)
<b>Net profit</b>	1,683	5,908	(72)	2,952	9,289	(68)
<b>Attributable to:</b>						
Equity holders of the Company	1,366	5,857	(77)	2,332	8,941	(74)
Minority interests	317	51	522	620	348	78
	1,683	5,908	(72)	2,952	9,289	(68)
<b>Earnings per share attributable to the equity holders of the Company during the financial period</b> (expressed in cents per share)						
- Basic	0.38 Cents	1.62 cents		0.65 Cents	2.49 cents	
- Diluted	0.38 Cents	1.62 cents		0.65 Cents	2.49 cents	

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#### CONSOLIDATED INCOME STATEMENT

The profit for the period from continuing operations includes the following credits less (charges):

Group	3 months ended			9 months ended		
	30/09/2008	30/09/2007	Change	30/09/2008	30/09/2007	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Other income – net	199	134	49	378	278	36
Interest income	28	20	40	61	141	(57)
Finance expense	(316)	(294)	7	(670)	(1,236)	(46)
Depreciation	(2,841)	(2,297)	24	(8,713)	(7,777)	12
(Provision)/ Write back for impairment of debts – net	(60)	364	(116)	(3,535)	37	(9,654)
Bad debts recovered/ (written off)	1	(1)	(200)	(2)	25	(108)
Provision for inventory impairment	(211)	(499)	(58)	(419)	(1,016)	(59)
Foreign exchange (loss)/ gain – net	(538)	195	(376)	858	267	221
Gain on disposal of property, plant and equipment	207	56	270	281	119	136

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**BALANCE SHEET**

\$'000	Group		Company	
	30/09/2008	31/12/2007	30/09/2008	31/12/2007
<b>Current assets</b>				
Cash and cash equivalents	17,751	10,676	4,021	522
Trade and other receivables	34,324	46,338	23,135	34,391
Inventories	11,646	9,664	851	1,503
Other current assets	1,952	1,384	635	609
	<u>65,673</u>	<u>68,062</u>	<u>28,642</u>	<u>37,025</u>
<b>Non-current assets</b>				
Other non-current assets	135	127	-	-
Investment in an associated company	1,546	1,618	1,050	1,050
Investments in subsidiaries	-	-	66,855	64,045
Property, plant and equipment	81,134	85,639	13,311	14,601
Deferred income tax assets	59	16	-	-
	<u>82,874</u>	<u>87,400</u>	<u>81,216</u>	<u>79,696</u>
<b>Total assets</b>	<b><u>148,547</u></b>	<b><u>155,462</u></b>	<b><u>109,858</u></b>	<b><u>116,721</u></b>
<b>Current liabilities</b>				
Trade and other payables	26,228	26,629	4,211	9,326
Current income tax liabilities	969	2,029	137	609
Borrowings	21,085	35,842	21,085	34,842
	<u>48,282</u>	<u>64,500</u>	<u>25,433</u>	<u>44,777</u>
<b>Non-current liabilities</b>				
Borrowings	17,524	11,862	17,524	11,862
Deferred tax liabilities	470	546	453	527
	<u>17,994</u>	<u>12,408</u>	<u>17,977</u>	<u>12,389</u>
<b>Total liabilities</b>	<b><u>66,276</u></b>	<b><u>76,908</u></b>	<b><u>43,410</u></b>	<b><u>57,166</u></b>
<b>NET ASSETS</b>	<b><u>82,271</u></b>	<b><u>78,554</u></b>	<b><u>66,448</u></b>	<b><u>59,555</u></b>
<b>Share capital and reserves</b>				
Share capital	37,288	37,288	37,288	37,288
Other reserves	2,286	(1,461)	-	-
Retained earnings	39,806	40,465	29,160	22,267
Equity attributable to equity holders of the company	<u>79,380</u>	<u>76,292</u>	<u>66,448</u>	<u>59,555</u>
<b>Minority interests</b>	2,891	2,262	-	-
<b>Total equity</b>	<b><u>82,271</u></b>	<b><u>78,554</u></b>	<b><u>66,448</u></b>	<b><u>59,555</u></b>

**Interim Financial Statements**

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**CONSOLIDATED CASHFLOW STATEMENT**

S\$'000

	3 months ended		9 months ended	
	30/09/2008	30/09/2007	30/09/2008	30/09/2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net profit	1,683	5,908	2,952	9,289
Adjustments for:				
- Income tax expense	1,040	1,128	2,024	2,732
- Depreciation of property, plant and equipment	2,841	2,297	8,713	7,777
- Interest expenses	316	294	670	1,236
- Interest income	(28)	(20)	(61)	(141)
- Gain on disposal of property, plant and equipment	(207)	(56)	(281)	(119)
- Share of results from an associated company	(26)	22	72	125
- Currency exchange loss/ (gain) - net	538	(195)	(858)	(267)
Operating cashflow before working capital changes	6,157	9,378	13,231	20,632
Change in operating assets and liabilities				
- Inventories	2,089	3,270	(1,982)	(2,428)
- Trade and other receivables	2,266	(3,717)	12,014	(9,844)
- Other assets	(375)	(517)	(568)	(637)
- Trade and other payables	(4,058)	(1,381)	(402)	9,032
	(78)	(2,345)	9,062	(3,877)
Cash generated from operating activities	6,079	7,033	22,293	16,755
Interest received	28	20	61	141
Income tax paid	(1,332)	(806)	(3,203)	(3,229)
Net cash inflow from operating activities	4,775	6,247	19,151	13,667

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**CONSOLIDATED CASHFLOW STATEMENT**

S\$'000

	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>30/09/2008</b>	<b>30/09/2007</b>	<b>30/09/2008</b>	<b>30/09/2007</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(4,156)	(23,123)	(6,065)	(30,091)
Purchase of club memberships	-	-	-	(38)
Proceeds from disposals of property, plant and equipment	1,064	235	5,890	657
Net cash (outflow) from investing activities	(3,092)	(22,888)	(175)	(29,472)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayments of bills payable	(12,373)	(2,511)	(18,556)	(14,082)
Proceeds from bills payable	3,671	19,859	4,897	25,151
Repayments of lease liabilities	(57)	(37)	(171)	(164)
Proceeds from borrowings	-	3,000	16,416	3,000
Repayments of borrowings	(1,458)	(1,873)	(10,864)	(5,041)
Interest paid	(316)	(288)	(670)	(954)
Dividends paid to shareholders	-	-	(2,991)	-
Net cash (outflow)/inflow from financing activities	(10,533)	18,150	(11,939)	7,910
Net (decrease)/ increase in cash and cash equivalents	(8,850)	1,509	7,037	(7,895)
Cash and cash equivalents at beginning of the financial period	26,309	7,929	10,676	17,232
Effects of exchange rate changes on cash and cash equivalents	292	(147)	38	(46)
<b>Cash and cash equivalents at end of the financial period</b>	<b>17,751</b>	<b>9,291</b>	<b>17,751</b>	<b>9,291</b>

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**STATEMENTS OF CHANGES IN EQUITY****Group****Attributable to equity holders of the Company**

	<b>Share capital \$'000</b>	<b>Other reserves \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total \$'000</b>	<b>Minority interests \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 January 08	37,288	(1,461)	40,465	76,292	2,262	78,554
Net gain recognised directly in equity						
- Currency translation differences	-	3,747	-	3,747	-	3,747
Net profit for the period	-	-	2,332	2,332	620	2,952
Total recognised gains for the financial period	-	<b>3,747</b>	<b>2,332</b>	<b>6,079</b>	<b>620</b>	<b>6,699</b>
Dividends paid	-	-	(2,991)	(2,991)	-	(2,991)
Adjustment to prior year MI figure	-	-	-	-	9	9
<b>Balance at 30 September 08</b>	<b>37,288</b>	<b>2,286</b>	<b>39,806</b>	<b>79,380</b>	<b>2,891</b>	<b>82,271</b>
Balance at 1 January 07	36,559	(1,534)	24,881	59,906	1,410	61,316
Net gain recognised directly in equity						
- Currency translation differences	-	1,485	-	1,485	-	1,485
Net profit for the financial period	-	-	8,941	8,941	348	9,289
Total recognised gains for the financial period	-	<b>1,485</b>	<b>8,941</b>	<b>10,426</b>	<b>348</b>	<b>10,774</b>
Conversion of convertible notes	729	(49)	-	680	-	680
Redemption of convertible notes	-	(172)	172	-	-	-
<b>Balance at 30 September 07</b>	<b>37,288</b>	<b>(270)</b>	<b>33,994</b>	<b>71,012</b>	<b>1,758</b>	<b>72,770</b>

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**Interim Financial Statements***For the financial period from 1 January 2008 to 30 September 2008***STATEMENTS OF CHANGES IN EQUITY**

<b>Company</b>	<b>Share capital</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 08	37,288	-	22,267	59,555
Net profit for the financial period	-	-	9,884	9,884
Dividend relating to FY2007 paid	-	-	(2,991)	(2,991)
<b>Balance at 30 September 08</b>	<b>37,288</b>	<b>-</b>	<b>29,160</b>	<b>66,448</b>
Balance at 1 January 07	36,559	221	9,897	46,677
Net profit for the financial period	-	-	7,309	7,309
Conversion of convertible notes	729	(49)	-	680
Redemption of convertible notes	-	(172)	172	-
<b>Balance at 30 September 07</b>	<b>37,288</b>	<b>-</b>	<b>17,378</b>	<b>54,666</b>

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**A review of the financial 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.**

#### **REVENUE**

The Group achieved revenue of \$40.7m for the three months ended 30 September 2008 ("3Q2008"), an increase of 4.5% or \$1.8m compared to the revenue of \$38.9m for the three months ended 30 September 2007 ("3Q2007"). The increase in revenue was mainly attributable to growth in the IT distribution business.

Comparing 3Q2008 to the three months ended 30 June 2008 ("2Q2008"), both the manufacturing and distribution business contributed to the overall growth in revenue of 27.5% or \$8.8m, from \$31.9m in 2Q2008 to \$40.7m in 3Q2008.

The better revenue performance in the IT distribution business fully offset the slowdown in the manufacturing business and contributed to a marginal year-on-year increase in revenue, which grew from \$102.6m for the nine months ended 30 September 2007 ("9M2007") to \$106.9m for the nine months ended 30 September 2008 ("9M2008").

For 9M2008, the distribution business, comprising the distribution of PCB-related materials and IT distribution, accounted for 68% while the manufacturing service business accounted for the remaining 32% of Group revenue.

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#### **REVENUE**

##### **Manufacturing Service Division**

Revenue in this Division decreased by 27.7% or \$4.7m, from \$16.9m in 3Q2007 to \$12.3m in 3Q2008 which was mainly due to the effect of the slowdown in the mechanical drilling business commencing from 1Q2008, compared to a strong 3Q2007. The mechanical drilling revenue decreased by 31.1% or \$4.3m, from \$13.7m in 3Q2007 to \$9.5m in 3Q2008. The Group's mechanical drilling capacity decreased from an average of 299 mechanical machines in 3Q2007 to 283 in 3Q2008.

The revenue from the routing business decreased by 40.7% or \$739,000 from \$1.8m in 3Q2007 to \$1.1m in 3Q2008 and is in line with the performance of the mechanical drilling business.

In contrast to the performance of the mechanical drilling and routing business, the laser drilling business improved and recorded revenue of \$1.7m in 3Q2008, an increase of 25.2% or \$344,000 from \$1.4m in 3Q2007. The Group has since added 8 new laser machines from 11 in 3Q2007 to 19 in 3Q2008 to meet the increase in demand from the higher requirement for handset PCBs.

Comparing 9M2008 to 9M2007, revenue for this division decreased by 11.7% or \$4.6m from \$39.0m in 9M2007 to \$34.5m in 9M2008. The mechanical and routing business collectively decreased by 20.0% or \$7.4m from \$37.2m in 9M2007 to \$29.8m in 9M2008. Laser drilling business on the contrary increased by 173% from \$1.7m in 9M2007 to \$4.6m in 9M2008.

On a quarter-on-quarter basis, the performance for this division increased by 8.5% or \$960,000 from \$11.3m in 2Q2008 to \$12.3m in 3Q2008.

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#### Distribution Division

The Group reported an increase of 29.4% or \$6.5m from \$22.0m in 3Q2007 to \$28.5m in 3Q2008 for the Distribution Division. Comparing 9M2007 to 9M2008, revenue increased by 14.0% or \$8.9m from \$63.6m to \$72.5m. The increase was mainly due to the growth in the IT business offset by the decrease in revenue from the distribution of PCB specialty chemicals and related products. Compared to 2Q2008, both the PCB and IT distribution business contributed to the revenue growth of 37.9% or \$7.8m from \$20.6m in 2Q2008 to \$28.5m in 3Q2008.

#### PCB

Revenue derived from the distribution of PCB specialty chemicals and related materials dropped by 18.7% or \$274,000 from \$1.5m in 3Q2007 to \$1.2m in 3Q2008. Comparing 9M2008 to 9M2007, revenue decreased by 32.3% or \$1.6m, from \$5.0m in 9M2007 to \$3.4m in 9M2008. Compare 3Q2008 to 2Q2008, revenue increased by 29.5% or \$272,000 from \$922,000 in 2Q2008 to \$1.2m in 3Q2008.

#### IT

The IT distribution business reported an increase in revenue of 32.8% or \$6.7m, from \$20.5m in 3Q2007 to \$27.3m in 3Q2008, and 38.3% or \$7.6m, from \$19.7m in 2Q2008 to \$27.3m in 3Q2008. The growth was largely due to the addition of several products to the Group's product portfolio and the expansion of the regional businesses. The addition to sales and pre-sales personnel also played a part in the promotion and sales of the Group's IT products and services.

On a nine month basis, the IT distribution business achieved a revenue growth of 18.0% or \$10.5m, from \$58.5m in 9M2007 to \$69.1m in 9M2008.

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#### PROFIT BEFORE TAX (“PBT”)

The Group registered a PBT of \$2.7m in 3Q2008, a decrease of 61.3% or \$4.3m as compared to \$7.0m achieved in 3Q2007.

The decrease in PBT was due to the following:-

- (1) Gross profit margin decreased by 8.4 percentage points from 29.8% in 3Q2008 to 21.4% in 3Q2007 mainly due to decrease in turnover in the high operating leverage Manufacturing Services Division;
- (2) A foreign exchange loss of \$538,000 in 3Q2008 as compared to foreign exchange gain of \$195,000 in 3Q2007 mainly due to unrealized loss arising from the strengthening of the US dollar on the Group’s US dollar borrowings;
- (3) Provision for impairment of debts of \$60,000 in 3Q2008 due mainly to doubtful debts from two IT customers in China, as compared to write back of impairment of debts of \$364,000 in 3Q2007;
- (4) An increase in payroll-related expenses of \$194,000, from \$2.9m in 3Q2007 to \$3.1m in 3Q2008, due mainly to higher headcount from the expansion of the IT businesses; and

The decrease in PBT was offset mainly by the following:

- (1) Provision for inventory impairment decrease by \$288,000 from \$499,000 in 3Q2007 to \$211,000 in 3Q2008; and
- (2) An increase in gain on disposal of fixed assets of \$151,000 from \$56,000 in 3Q2007 to \$207,000 in 3Q2008.

Comparing 9M2008 to 9M2007, the Group PBT decreased by 58.6% or \$7.0m from \$12.0m in 9M2007 to \$5.0m in 9M2008 which was mainly due to the lower revenue attained in 9M2008 by the high leverage manufacturing service business and provision for impairment of debts of \$3.5m in 9M2008, due mainly to debts from the China’s customers, as compared to write back impairment of debts of \$37,000 in 9M2007. The decrease in PBT was offset by a decrease in interest on borrowings from S\$1,236,000 in 9M2007 to S\$670,000 in 9M2008 due mainly to repayment of loan amounting to \$10.9m.

On a quarter-on-quarter basis, the Group registered PBT of \$2.7m in 3Q2008 as compared to loss before tax of \$929,000 in 2Q2008, mainly due to increase in gross margin from higher revenue attained in 3Q2008 and provision for impairment of debts of \$60,000 in 3Q2008 as compared to \$3.0m in 2Q2008.

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#### **PROFIT AFTER TAX (“PAT”)**

Group PAT decreased by 71.5% or \$4.2m, from \$5.9m in 3Q2007 to \$1.7m in 3Q2008. Comparing 9M2008 to 9M2007, PAT decreased by 68.2% or \$6.3m, from \$9.3m in 9M2007 to \$3.0m in 9M2008. On a quarter-on-quarter basis, the Group registered a loss after tax of \$1.3m in 2Q2008 to PAT of \$1.7m in 3Q2008. These were largely in line with the changes in Group PBT.

Provision for tax comprised mainly of income tax and deferred tax of the Company and its subsidiaries. Multi-Chem Electronics (Kunshan) Co., Ltd currently enjoy tax-free status on profits while Multi-Chem Laser Technology (Suzhou) Co., Ltd and Multi-Chem Electronics (Wuxi) Co., Ltd enjoys tax-free status on 50% of its profits.

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#### BALANCE SHEET REVIEW

Below is a review of material changes in the key balance sheet items for the period ended 30 September 2008:-

**Cash and cash equivalents** at the Group level increased from \$10.7m to \$17.8m. At the Company level, cash and cash equivalents increased from \$522,000 to \$4.0m. The increase at both the Group and Company levels were mainly due to drawdown of a USD12.0m loan from a bank, net of repayments of bills payable, borrowings and dividend payment to shareholders.

**Trade and other receivables** of the Group decreased from \$46.3m to \$34.3m which was net of the provision for impairment of debts of \$3.5m in 9M2008. The decrease at the Company level from \$34.4m to \$25.8m was mainly due to lower revenue and repayment from the subsidiaries.

**Inventories** at the Group level increased from \$9.7m to \$11.6m mainly due to the increase in IT inventory resulting from the growth of the IT business in Singapore and regionally. At the Company level, inventories which comprised PCB specialty chemicals and related materials decreased from \$1.5m to \$851,000, in line with the lower revenue from the PCB distribution business.

**Other current assets** at the Group level increased from \$1.4m to \$2.0m mainly due to amount paid for project tender and rental deposits.

**Investment in an associated company** decreased from \$1.6m to \$1.5m mainly due to the share of losses in 9M2008. There is no change at the Company level as the investment is accounted for at cost, as opposed to the equity method at Group level.

**Property, plant and equipment** decreased from \$85.6m to \$81.1m at the Group and from \$14.6m to \$13.3m at the Company level. The decrease was mainly due to sales of machines to a third party and depreciation charged.

**Trade and other payables** decreased slightly from \$26.6m to \$26.2m at the Group level due mainly to repayment of year 2006 and 2007 profit sharing to directors, net of increase in payables to principals of the IT distribution business from the increase in the IT business.

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#### **BALANCE SHEET REVIEW**

**Bills payable to banks** decreased from \$22.9m to \$8.1m at both the Group and the Company level mainly due to repayment of bills payable of \$18.6m in 9M2008, offset by additional bills payable amounting to \$4.9m for financing the purchase of new laser machines in the same period.

**Borrowings** increased at both the Group and Company levels mainly due to drawdown of the USD12.0m loan from a bank, net of repayment.

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#### **CASH FLOW ANALYSIS**

Net cash of \$19.2m was generated from operating activities in 9M2008, an increase of \$5.5m from \$13.7m in 9M2007. This was mainly due to the decrease in trade and other receivables from more timely collection.

Net cash of \$175,000 was used in investing activities in 9M2008 as compared to \$29.5m in 9M2007. This was mainly due to fewer machines purchased in 9M2008 as compared to the corresponding period in 2007, net of proceeds from disposal of property, plant and equipment of \$5.9m in 9M2008 as compared to \$657,000 in 9M2007.

Net cash of \$11.9m was used in financing activities in 9M2008 as compared to \$7.9m used in 9M2007. Cash of \$21.3m in aggregate was generated from the drawdown of the USD12.0m loan and proceeds from bills payable, offset by repayment of bills payable for purchase of fixed assets of \$18.6m, repayment of borrowings of \$10.9m and dividend payment to shareholders of \$3.0m.

Cash and cash equivalent stood at \$17.8m as at end of 30 September 2008, up from \$9.3m as at the end of 30 September 2007.

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**A commentary at the date of the announcement of the 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 twelve months.**

#### **PCB**

After 2 consecutive quarters of weak demand in the outsourced services, the manufacturing business in Singapore improved slightly in 3Q2008. It registered an increase in revenue in this quarter by 15.5% as compared to previous quarter, which follows normal seasonal patterns, but compared to 3Q2007, it was down by 35.9%. The manufacturing business in China improved by 7.0% as compared to previous quarter. However, when compared to 3Q2007, revenue decreased by 25.5% in 3Q2008

In the US, the North American PCB industry book-to-bill ratio fell to 0.95 in July 2008. A ratio of more than 1.00 suggests current demand is ahead of supply, which indicates probably near term growth. The converse is true if the ratio is less than 1.00. The economic situation in the US due to oil prices and financial crisis indicates that the demand from US consumers is expected to weaken for the months ahead. These events have resulted in a negative sentiment and affected businesses worldwide.

Even though the Group is currently the leading PCB drilling and routing service provider in terms of capacity and technology in Singapore and Eastern China, it is bracing itself for very tough conditions ahead. The Group will be selective of its customers and only serve the leading PCB manufacturers and has already adopted measures such as headcount reduction and equipment sale for its manufacturing business to reduce costs.

China remains the Group's largest manufacturing base in terms of sales, capacity and customer base and accounted for 81% of the Group revenue in the manufacturing service division in 3Q2008. Demand for our manufacturing services business in China is likely to reduce further in 4Q2008 and expected to impact the business significantly.

In the area of distribution of PCB-related products, the performance is in line with the manufacturing business of the Group. The revenue increased by 29.5% in 3Q2008 as compared to 2Q2008 and decreased by 18.7% in 3Q2008 as compared to 3Q2007. The performance is tied to the orders from its existing customers in South East Asia and any growth will be dependent on the increase in orders from such existing customers. The Group will continue to face price reduction pressure from these customers and this business is expected to decline as customers relocate from South East Asia to areas like China and Vietnam.

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#### **IT**

The IT business faced challenges from the economic and political instability in the regional countries where the Group has presence in, during 2Q2008. In 3Q2008, the IT business improved and recorded revenue growth of 38.3% and 32.8% as compared to 2Q2008 and 3Q2007 respectively.

The Group has a focus strategy of selling and promoting only the best-of-breed IT products. Among the products the Group currently carries are industry-leading IT products from Nokia, Check Point, Blue Coat, Citrix, Foundry Networks, NetApp, Riverbed, RSA Security and TippingPoint.

To promote technical competency internally and to train its partners, the Group started to provide certified IT training through the Training Division of M.Tech Products Pte Ltd, which is authorised to conduct training for Nokia, Check Point, RSA, TippingPoint and Blue Coat courses. The Group is also an authorised training provider for Nokia courses regionally. This business is complementary to the core IT distribution business and is expected to bring about more awareness and technical knowledge through the courses conducted.

As at 30 September 2008, the Group's IT business has presence in 21 cities in 10 countries, with a presence extending into Taiwan and Australia this year. New overseas offices set up this year are expected to make positive contribution to the Group's performance in FY2009. M.Tech offices in countries that are already mature in operations are expected to contribute more to the Group's performance.

For growth, the Group will focus on its best-of-breed products and will continue to look out for opportunities for regional expansion. The Group will also be selective of the products we carry so as to be able to do the best for the principals that the M.Tech companies represent. The Group will also promote the M.Tech brand name and intends to work closely with key partners to further promote the products.

The near term outlook in the IT business is dependent on events such as those political or economic in nature and such events could affect business in certain markets. While, the Group is diversified across markets and is expected to be better able to mitigate such impact than if it were in a single market, the current poor sentiment and weak outlook globally is expected to have a negative impact on the IT business.

For government and businesses that remain strong, IT is still a necessity in businesses and security is an integral part of the IT infrastructure.

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#### **Risk Factors**

The Group's primary business risk is the exposure to the electronics products sector. Our customers are PCB manufacturers most of whom will be exposed to the cyclical nature of the electronics business. Any downturn in the electronics cycle will result in a cutback in outsourcing which will impact the Group negatively. Additionally, with the typically heavy capital investment required in the manufacturing service business, the Group will be adversely affected should there be a downturn in the electronics business due to the high fixed costs in this business.

The Group's success in the China market will depend on our ability to maintain our technological, quality assurance, capacity and pricing advantage over our competitors. Additionally, we have to monitor trade debts closely as collection of accounts receivable generally takes longer in China. With the current financial crisis, the Group is tightening the credit assessment on customers for all regions.

The Group, with significant investment in China, is also exposed to the political, legal and economic climates of the country. Such risks pertaining to the political, legal and economic climates extend to the other markets which the Group is operating in.

We are also exposed to foreign exchange risks as we mainly transact with our suppliers, vendors and customers in Singapore dollars, US dollars, Chinese renminbi, and to a lesser extent, European euro, Thailand baht, Malaysia ringgit, Indonesia rupiah, Philippines peso, Hong Kong dollars and India Rupee. The Group may, from time to time, enter into borrowing and foreign exchange arrangements as currency hedges. The Group is expected to expose to a higher foreign exchange risk with the current strengthening of the US dollars against the local currencies we collect from the customers.

In the area of IT distribution, the Group is subject to risk of reliance on a few key vendors, in respect of their channel strategies, as well as product roadmap. The Group is also exposed to the risks of product obsolescence in respect of the hardware carried. Despite such risks, the Group has taken steps to align with the leading names in the IT arena and as such, there is a good probability that such companies will take steps to ensure that their products maintain the technological edge. The Group also monitors its stock on a quarterly basis and will make provisions where necessary.

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

The actual results for 3Q2008 were in line with the prospect statements disclosed to the shareholders on 29 January 2008.

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#### NOTES TO THE FINANCIAL STATEMENTS

##### 1. AGGREGATE AMOUNT OF GROUP'S BORROWINGS AND DEBT SECURITIES

Amount repayable in one year or less, or on demand

As at 30 Sep 08		As at 31 Dec 07	
Secured	Unsecured	Secured	Unsecured
231,000	20,854,000	231,000	35,611,000

Amount repayable after one year

As at 30 Sep 08		As at 31 Dec 07	
Secured	Unsecured	Secured	Unsecured
631,000	16,893,000	803,000	11,059,000

##### Additional information and details of any collateral

The finance leases are secured on the Group's eight drilling machines.

Note: The unsecured amount as at 31 December 2007 includes convertible notes of USD1,500,000 (SGD equivalent: \$2,434,000).

##### 2. SHARE CAPITAL

Group	Issued shares '000	Share capital \$'000	Total share capital \$'000
Balance at 1 Jan 08 and 30 Sep 08	<b>360,381</b>	<b>37,288</b>	<b>37,288</b>
Balance at 1 Jan 07	<b>356,981</b>	<b>36,559</b>	<b>36,559</b>
Share issue pursuant to conversion of convertible notes	3,400	729	729
<b>Balance at 30 Sep 07</b>	<b>360,381</b>	<b>37,288</b>	<b>37,288</b>

##### 3. A statement showing all sales, transfers, disposal, cancellation and/or issue of treasury shares as at the end of the current financial period reported on.

Not applicable

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#### NOTES TO THE FINANCIAL STATEMENTS

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited annual financial statements for the financial year ended 31 December 2007. In addition, the Group also adopted various revisions to the FRS, which became effective during that period. The said adoption has no significant impact to the financial statements of the Group

5. **If there are any changes in 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.**

Not applicable.

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

The figures presented in the announcement have not been audited or reviewed by our auditors.

7. **Where the figures have been audited or reviewed, the auditor's report (including any qualification of emphasis of a matter).**

Not applicable.

8. **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	3 months ended		9 months ended	
	30-Sep-08	30-Sep-07	30-Sep-08	30-Sep-07
<b>Earnings per share attributable to the equity holders of the Company during the period</b> (expressed in cents per share)				
(i) Based on weighted average number of shares	0.38 cents	1.62 cents	0.65 cents	2.49 cents
- Weighted average number of shares ('000)	360,381	360,381	360,381	359,796
(ii) On fully diluted basis	0.38 cents	1.62 cents	0.65 cents	2.49 cents
- Adjusted weighted average number of shares ('000)	360,381	360,381	360,381	359,796

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#### NOTES TO THE FINANCIAL STATEMENTS

9. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	Group		Company	
	30-Sep-08	31-Dec-07	30-Sep-08	31-Dec-07
Net asset value per share based on existing issued share capital as at the respective period	22.03 cents	21.17 cents	18.44 cents	16.53 cents

The net asset value per ordinary share at the end of the current period and the immediately preceding financial year have been calculated based on 360,381,000 ordinary shares.

#### 10. DIVIDEND

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

No dividend has been declared/ recommended for 3Q2008.

**(b) Dividend for financial year ended 31 December 2007**

Name of dividend	Summary of dividend proposed per share	Amount \$'000	Payment date
Final	Tax exempt (one-tier) dividend of 0.83 cents per ordinary share	2,991	23 May 2008

#### BY ORDER OF THE BOARD

Foo Suan Sai  
Chairman and Chief Executive Officer  
28 October 2008

#### Negative assurance confirmation on interim financial results under SGX Listing Rule 705(4) of the Listing Manual

We, Foo Suan Sai and Han Juat Hoon, being two Directors of Multi-Chem Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company 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 3Q2008 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Foo Suan Sai  
Chairman and Chief Executive Officer  
Singapore, 28 October 2008

Han Juat Hoon  
Chief Operating Officer  
Singapore, 28 October 2008