



Multi-Chem Limited

(Incorporated in Singapore. Registration Number: 198500318Z)

Full Year Financial Statement and Dividend Announcement

For The Financial Period Ended 31 December 2006

Full Year Financial Statement and Dividend Announcement
 For the financial period ended 31 December 2006

CONSOLIDATED INCOME STATEMENT

Group	3 months ended			12 months ended		
	31/12/2006	31/12/2005	Change	31/12/2006	31/12/2005	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	26,899	22,598	19	97,418	71,330	37
Cost of sales	(18,902)	(14,135)	34	(66,380)	(48,500)	37
Gross profit	7,997	8,463	(5)	31,038	22,830	36
Other gains - net	567	47	1106	1,666	958	74
Expenses						
- Distribution costs	(1,232)	(644)	91	(3,195)	(2,201)	45
- Administrative expenses	(3,326)	(2,274)	46	(11,787)	(8,250)	43
- Finance (net)	391	(25)	1664	51	(327)	116
Share of (loss)/profit of associated company	(84)	(66)	27	(119)	27	(541)
Profit before income tax	4,313	5,501	(22)	17,654	13,037	35
Income tax expense	(1,018)	(499)	104	(2,960)	(1,584)	87
Net profit	3,295	5,002	(34)	14,694	11,453	28
Attributable to:						
Equity holders of the Company	3,199	4,953	(35)	14,334	11,275	27
Minority interests	96	49	96	360	178	102
	3,295	5,002	(34)	14,694	11,453	28
Earnings per share attributable to the equity holders of the Company during the period (expressed in cents per share)						
Basic	0.90 cents	1.39 cents		4.02 cents	3.16 cents	
Diluted	0.89 cents	1.39 cents		3.99 cents	3.15 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			12 months ended		
	31/12/2006	31/12/2005	Change	31/12/2006	31/12/2005	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Other income/(charges) - net	156	(23)	778	379	408	(7)
Interest income	136	17	700	370	65	469
Interest on borrowings	(275)	(183)	50	(686)	(322)	113
Foreign exchange gain/(loss) - borrowings	666	158	322	737	(5)	148
Finance gain/(expenses) (net)	391	(25)	1664	51	(327)	116
Depreciation	(2,636)	(1,930)	37	(8,813)	(7,472)	18
(Provision)/write back for impairment of debts - net	(140)	(5)	2,700	(158)	132	(220)
Bad debts written off/(recovered)	53	(22)	341	(53)	(32)	66
Provision for inventory impairment	(260)	(213)	22	(654)	(254)	157
Foreign exchange gain/(loss) - others	84	(217)	139	419	370	13
Gain on disposal of property, plant and equipment	278	297	(6)	715	10	7,050
Gain on disposal of available-for-sale financial asset	-	-	Nm	-	5	Nm
Gain on dilution of interest in a subsidiary	-	-	Nm	10	-	Nm
Impairment on goodwill	-	-	Nm	(16)	-	Nm

Nm : Not meaningful

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BALANCE SHEET

\$'000	Group		Company	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Current assets				
Cash and cash equivalents	17,232	5,446	10,235	2,467
Trade and other receivables	31,139	24,689	18,295	12,403
Inventories	7,312	4,133	1,136	1,619
Other current assets	677	646	250	155
	<u>56,360</u>	<u>34,914</u>	<u>29,916</u>	<u>16,644</u>
Non-current assets				
Other non-current assets	127	132	-	-
Investment in an associated company	1,735	2,084	1,050	1,050
Investments in subsidiaries	-	-	45,595	30,347
Property, plant and equipment	65,982	48,019	19,711	16,445
	<u>67,844</u>	<u>50,235</u>	<u>66,356</u>	<u>47,842</u>
Total assets	<u>124,204</u>	<u>85,149</u>	<u>96,272</u>	<u>64,486</u>
Current liabilities				
Trade and other payables	16,459	11,870	5,025	4,870
Current income tax liabilities	2,390	1,457	1,282	957
Bills payable to banks	14,438	9,022	14,438	9,022
Borrowings	10,625	1,059	9,853	228
	<u>43,912</u>	<u>23,408</u>	<u>30,598</u>	<u>15,077</u>
Non-Current liabilities				
Borrowings	18,495	5,386	18,495	4,555
Deferred tax liabilities	481	732	502	725
	<u>18,976</u>	<u>6,118</u>	<u>18,997</u>	<u>5,280</u>
Total liabilities	<u>62,888</u>	<u>29,526</u>	<u>49,595</u>	<u>20,357</u>
NET ASSETS	<u>61,316</u>	<u>55,623</u>	<u>46,677</u>	<u>44,129</u>
Share capital and reserves				
Share capital	36,614	35,604	36,614	35,604
Other reserves	(1,534)	810	221	1,111
Retained earnings	24,826	18,486	9,842	7,414
	<u>59,906</u>	<u>54,900</u>	<u>46,677</u>	<u>44,129</u>
Minority interests	<u>1,410</u>	<u>723</u>	-	-
Total equity	<u>61,316</u>	<u>55,623</u>	<u>46,677</u>	<u>44,129</u>

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CONSOLIDATED CASHFLOW STATEMENT

S\$'000	3 months ended		12 months ended	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after income tax and after share of results of associated company	3,295	5,002	14,694	11,453
Adjustments for:				
- Tax	1,018	499	2,960	1,584
- Gain on disposal of property, plant and equipment	(278)	(297)	(715)	(10)
- Depreciation	2,636	1,930	8,813	7,472
- Interest expense	275	183	686	322
- Interest income	(136)	(17)	(370)	(65)
- Gain on dilution of interest in a subsidiary	-	-	(10)	-
- Impairment on goodwill	-	-	16	-
- Share of results from an associated company	84	66	119	(27)
Operating cashflow before working capital changes	6,894	7,366	26,193	20,729
Change in operating assets and liabilities, net of effects from purchase and disposal of subsidiaries				
- Inventories	713	84	(3,179)	(1,671)
- Trade and other receivables	(2,683)	(4,193)	(6,450)	(9,656)
- Other assets	276	(106)	(31)	(106)
- Trade and other creditors and accruals	1,014	1,171	4,589	4,987
	(680)	(3,044)	(5,071)	(6,446)
Cash generated from operating activities	6,214	4,322	21,122	14,283
Interest received	136	17	370	65
Income tax paid	(465)	(460)	(2,278)	(1,690)
Net cash inflow from operating activities	5,885	3,879	19,214	12,658

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CONSOLIDATED CASHFLOW STATEMENT

S\$'000	3 months ended		12 months ended	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(7,858)	(4,696)	(29,789)	(16,219)
Purchase of club memberships	-	(52)	-	(52)
Dividends from an associated company	-	-	230	25
Proceeds from disposals of property, plant and equipment	1,256	705	2,546	2,236
Proceeds from disposal of available-for-sale financial assets	-	-	-	70
Net cash outflow from investing activities	<u>(6,602)</u>	<u>(4,043)</u>	<u>(27,013)</u>	<u>(13,940)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of leases liabilities	(36)	(93)	(210)	(318)
Proceeds from borrowings	9,240	-	25,240	-
Repayments of borrowings	(1,281)	(246)	(1,956)	(789)
Repayments of bills payable	(3,729)	(768)	5,416	5,124
Interest paid	(264)	(47)	(636)	(186)
Dividends paid to shareholders	-	(1,524)	(8,524)	(8,214)
Proceeds from issuance of ordinary shares upon exercise of warrants	-	2,198	-	6,107
Proceeds from issuance of ordinary shares to minority shareholders	-	-	850	30
Net cash inflow/(outflow) from financing activities	<u>3,930</u>	<u>(480)</u>	<u>20,180</u>	<u>1,754</u>
Net increase/(decrease) in cash and cash equivalents	3,213	(644)	12,381	472
Cash and cash equivalents at beginning of the year	<u>14,342</u>	<u>5,914</u>	<u>5,446</u>	<u>4,994</u>
Effects of exchange rate changes on cash and cash equivalents	<u>(323)</u>	<u>176</u>	<u>(595)</u>	<u>(20)</u>
Cash and cash equivalents at end of the year	<u>17,232</u>	<u>5,446</u>	<u>17,232</u>	<u>5,446</u>

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STATEMENTS OF CHANGES IN EQUITY

Group	Attributable to equity holders of the Company					
	Share capital	Other reserves	Retained earnings	Total	Minority interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 06	35,604	810	18,486	54,900	723	55,623
Net loss recognised directly in equity						
- Currency translation differences	-	(1,454)	-	(1,454)	-	(1,454)
Net profit for the year	-	-	14,334	14,334	360	14,694
Total recognised (losses)/gains for the year	-	(1,454)	14,334	12,880	360	13,240
Effects of Companies (Amendment) Act 2005 – Transfer of capital redemption reserves	881	(881)	-	-	-	-
Conversion of convertible notes	129	(9)	-	120	-	120
Dividend relating to 2006 paid	-	-	(2,994)	(2,994)	(530)	(3,524)
Dividend relating to 2005 paid	-	-	(5,000)	(5,000)	-	(5,000)
Issue of shares by a subsidiary	-	-	-	-	857	857
Balance at 31 December 06	36,614	(1,534)	24,826	59,906	1,410	61,316
Balance at 1 January 05	27,461	2,032	15,425	44,918	515	45,433
Net loss recognised directly in equity						
- Currency translation differences	-	814	-	814	-	814
Net profit for the year	-	-	11,275	11,275	178	11,453
Total recognised gains for the year	-	814	11,275	12,089	178	12,267
Dividend relating to 2004 paid	-	-	(5,549)	(5,549)	-	(5,549)
Dividend relating to 2005 paid	-	-	(2,665)	(2,665)	-	(2,665)
Issuance of shares pursuant to exercise of warrants	8,143	(2,036)	-	6,107	-	6,107
Issue of shares by a subsidiary	-	-	-	-	30	30
Balance at 31 December 05	35,604	810	18,486	54,900	723	55,623

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Company	Share capital	Other reserves	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 06	35,604	1,111	7,414	44,129
Net profit for the year	-	-	10,422	10,422
Effects of Companies (Amendment) Act 2005 – Transfer of capital redemption reserves	881	(881)	-	-
Conversion of convertible notes	129	(9)	-	120
Dividend relating to 2006 paid	-	-	(2,994)	(5,000)
Dividend relating to 2005 paid	-	-	(5,000)	(2,994)
Balance at 31 December 2006	36,614	221	9,842	46,677
Balance at 1 January 05	27,461	3,147	10,112	40,720
Issuance of shares pursuant to exercise of warrants	8,143	(2,036)	-	6,107
Net profit for the year	-	-	5,516	5,516
Dividend relating to 2004 paid	-	-	(5,549)	(5,549)
Dividend relating to 2005 paid	-	-	(2,665)	(2,665)
Balance at 31 December 2005	35,604	1,111	7,414	44,129

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REVIEW OF PERFORMANCE OF THE GROUP

REVENUE

The Group grew at a robust rate of 36.6% for the year ended 31 December 2006 ("FY2006"). This was an increase of \$26.1m as revenue grew to \$97.4m in FY2006, from \$71.3m for the year ended 31 December 2005 ("FY2005"). Revenue for the three months ended 31 December 2006 ("4Q2006") of \$26.9m also increased by 19.0% or \$4.3m over revenue of \$22.6m achieved for the three months ended 31 December 2005 ("4Q2005"). The overall improvement in revenue performance was mainly due to the growth in the Group's manufacturing service business and the IT distribution business.

In 4Q2006, the Group experienced a slow down in both the manufacturing business in Singapore and the business of distributing PCB specialty chemicals and related products. However, the Group still managed to increase its revenue marginally as compared to three months ended 30 September 2006 ("3Q2006") by 1.2% or \$325,000 from \$26.6m to \$26.8m and this was mainly due to the continuing growth in the manufacturing service business in China.

In FY2006, the manufacturing service business accounted for about 49% of Group revenue, while the distribution business, comprising the distribution of PCB-related materials and IT distribution, accounted for the remaining 51%.

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REVIEW OF PERFORMANCE OF THE GROUP

REVENUE

Manufacturing Service Division

Revenue in this Division grew by 33.5% or \$11.9m, from \$35.5m in FY2005 to \$47.4m in FY2006. The year-on-year revenue growth was achieved due to the strong demand for drilling services and the Group having the additional capacity to meet this demand. Drilling service revenue alone grew by \$11.1m and accounted for nearly 93% of the revenue increase in this Division.

The strong growth for drilling services extended across both the Group's Singapore and China operations. While the pick up in demand for our services was a main factor, the better performance was also due to a more diverse customer base in China, an increase in the Group's mechanical drilling capacity from an average of 145 mechanical drilling machines in FY2005 to 199 in FY2006 as well as higher efficiency from more advanced machines. Mechanical drilling made up approximately 88% of the business in this Division.

The growth in the electronic sector also resulted in increase in demand for routing service in China and Singapore. With an increase of the Group's routing capacity from an average of 30 routing machines in FY2005 to 39 routing machines in FY2006, the Group's routing business increased by 30.5% or \$924,000 from \$3.0m to \$4.0m.

In 4Q2006, performance of the manufacturing service business in Singapore weakened by 13.5% and 12.5% as compared to 4Q2005 and 3Q2006 respectively, mainly due to the lower demand for mechanical drilling services. Despite the slow down in Singapore, this Division recorded revenue of \$13.1m in 4Q2006, an increase of 14.2% or \$1.6m from \$11.5m in 4Q2005 due to the strong demand in mechanical drilling business in China, a contrast of the situation in Singapore. Compared to 3Q2006, total manufacturing service revenue grew by 4.0% or \$500,000 in 4Q2006, from \$12.6m to \$13.1m

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REVIEW OF PERFORMANCE OF THE GROUP

Distribution Division

The Group achieved a revenue growth of 39.6% or \$14.2m, from \$35.9m in FY2005 to \$50.1m in FY2006 for the Distribution Division. On a quarterly basis, the Group achieved a revenue growth of 24.1% or \$2.7m, from \$11.1m in 4Q2005 to \$13.8m in 4Q2006. The increase in revenue was contributed by growth in the IT business, offset by the decrease in revenue from the distribution of PCB specialty chemicals and related products. Comparing 4Q2006 to 3Q2006, revenue decreased marginally by 1.3% or \$175,000 from \$14.0m to \$13.8m as the growth in the IT business did not fully offset the decrease in revenue from the distribution of PCB specialty chemicals and related products.

PCB

Revenue derived from the distribution of PCB specialty chemicals and related materials dropped by 12.3% from \$8.9m in FY2005 to \$7.8m in FY2006. Comparing 4Q2006 to 4Q2005, this business achieved revenue of \$1.6m in 4Q2006, a decrease of 35.3% or \$857,000 from \$2.4m in 4Q2005. The performance of the PCB distribution business started to weaken in 1Q2006 and did not pick up in FY2006. The weaker performance was mainly due to the continuing price reduction pressure from customers and drop in business for one product line commencing September 2006 due to pricing issues. The performance was further weakened when a customer discontinued the use of our specialty chemical in June 2006. Comparing 4Q2006 to 3Q2006, revenue decreased by 22.6% or \$464,000 from \$2.0m to \$1.6m.

IT

The IT distribution business reported a significant increase in revenue of 56.6% or \$15.3m from \$27.0m in FY2005 to \$42.3m in FY2006. This Division recorded its highest quarterly revenue of \$12.2m for FY2006 in 4Q06, which was an increase of 2.4% or \$290,000, from the revenue of \$11.9m in 3Q2006. Comparing 4Q2006 to 4Q2005, revenue grew by 40.7% or \$3.5m from \$8.7m to \$12.2m.

The growth in this business was largely due to the addition of several products and the expansion of the regional businesses. Offices in China (Beijing and Guangzhou), Philippines (Manila) and Hong Kong, which commenced operations for less than a year also contributed to the revenue for 4Q2006 and FY2006. The addition to sales and pre-sales personnel and new products to the Group's product portfolio also played a part in the revenue growth.

While Singapore remains as the main market for the IT business in FY2006, the regional subsidiaries of the Company are as a whole becoming more significant through expansion. In FY2006, revenue from regional markets increased by 95% or \$12.7m, from \$13.3m in FY2005 to \$26.0m in FY2006.

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REVIEW OF PERFORMANCE OF THE GROUP

PROFIT BEFORE TAX (“PBT”)

The Group achieved a PBT of \$17.6m in FY2006, an increase of 35.4% or \$4.6m over the PBT of \$13.0m achieved in FY2005, largely in line with the higher revenue and gross profit.

Additionally, this increase in PBT was also due to the following:-

- (1) Increase in gain on disposal of fixed assets of \$705,000, from \$10,000 in FY2005 to \$715,000 in FY2006. The gain was mainly from the sales of 12 mechanical drilling machines to external parties.
- (2) Foreign exchange gain of \$1.2m in FY2006 compared to \$365,000 in FY2005. In FY2006, the effect of the weaker Chinese renminbi was offset by the effect of the weaker US dollar vis-à-vis the Singapore dollar;

The increase in PBT was offset mainly by the following:-

- (1) Increase in machinery depreciation of \$1.3m from \$7.4m in FY2005 to \$8.8m in FY2006 due to addition of new machines;
- (2) An increase of \$1.0m in travelling, transport, entertainment and other distribution expenses, from \$1.5m in FY2005 to \$2.5m in FY2006, mainly due to the regional expansion;
- (3) An increase in payroll-related expenses of \$2.6m from \$5.9m in FY2005 to \$8.4m in FY2006 due mainly to provision for directors' share of profits, as provided for in their respective service agreements, and higher headcount from the expansion of the regional businesses;
- (4) An increase in provision for inventory impairment from \$254,000 in FY2005 to \$654,000 in FY2006. The provision for inventory impairment relates to the IT stock, in line with the Group's inventory provision policy; and
- (5) Provision for impairment of debts of \$158,000 in FY2006 as compared to write back for impairment of debts of \$132,000 in FY2005.

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PROFIT BEFORE TAX (“PBT”)

On a quarterly basis, Group PBT decreased by 21.6% or \$1.2m, from \$5.5m in 4Q2005 to \$4.3m in 4Q2006. Comparing 4Q2006 to 3Q2006, Group PBT decreased by 16.5% or \$854,000, from \$5.2m to \$4.3m. The decrease was mainly due to the lower gross profit attained by the manufacturing service business in Singapore, which slowed down in 4Q2006 and the business of distributing PCB specialty chemicals and related products, which continued to be pressured by price reduction.

PROFIT AFTER TAX (“PAT”)

Group PAT increased by 28.3% or \$3.2m, from \$11.5m in FY2005 to \$14.7m in FY2006. These were largely in line with the changes in Group PBT.

Comparing 4Q2006 to 4Q2005, PAT decreased by 34.1% or \$1.7m, from \$5.0m to \$3.3m. On a sequential basis, Group PAT decreased by \$1.0m from \$4.3m in 3Q2006 to \$3.3m in 4Q2006. Despite a lower PBT in 4Q2006 as compared to 4Q2005, income tax expense increased by \$519,000 or 104% from \$499,000 in 4Q2005 to \$1.1m in 4Q2006. The increase was mainly due to underprovision of income tax for the Company in prior years, adjusted in 4Q2006.

Provision for tax comprised mainly income tax and deferred tax of the Company and its subsidiaries. Multi-Chem Laser Technology (Suzhou) Co., Ltd currently enjoys tax-free status on profits while Multi-Chem (Suzhou) Co., Ltd and Multi-Chem Electronics (Wuxi) Co., Ltd enjoy 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 year period ended 31 December 2006.

Cash and cash equivalents at the Group level increased from \$5.4m to \$17.2m. At the Company level, cash and cash equivalents increased from \$2.5m to \$10.2m. The increases at both the Group and Company level were mainly due to positive cash flow from working capital, proceed from disposal of property, plant and equipment and the drawdown of \$25.2m loan from DBS Bank, net of repayments for drilling machines and dividend payment of \$8.5m.

Trade and other receivables of the Group increased from \$24.7m to \$31.1m. The increase is in line with the increase in revenue in 4Q2006 as compared to 4Q2005. At the Company level, trade and other receivables increased from \$12.4m to \$18.3m mainly due to the sales of machinery to China subsidiaries for the expansion in China.

Inventories at the Group level increased from \$4.1m to \$7.3m mainly due to the increase in IT inventory resulting from the growth of the IT business in Singapore and regionally, offset by the provision for inventory impairment of \$654,000. At the Company level, inventories which comprised PCB specialty chemicals and related materials decreased from \$1.6m to \$1.1m which is in line with the decrease in the PCB distribution business.

Investment in an associated company decreased from \$2.1m to \$1.7m mainly due to dividends paid amounting to \$230,000. 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 increased from \$48.0m to \$66.0m at the Group level and increased from \$16.4m to \$19.7m at the Company level. The increase is mainly due to the addition of 89 units of new CNC drilling machines, 12 new routing machines and 1 new laser drilling machine for both the Singapore and China operations, offset by the sale of 12 units of used CNC drilling machines in Singapore and China to third parties and the depreciation charged.

Trade and other payables increased marginally from \$4.9m to \$5.0m at the Company level due mainly to the other payable arising from the provision for directors' share of profits, offset by prompt payment to suppliers. The increase in payables at Group level from \$11.9m to \$16.5m includes increase in payables to principals of the IT distribution business and increase in payables to suppliers for the Group's China operations, resulting from the higher business volume.

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BALANCE SHEET REVIEW

Bills payable to banks increased from \$9.0m to \$14.4m at both the Group and the Company level. The increase is mainly due to additional bills payable amounting to \$23.7m for financing the purchase of new machines, offset by repayment of \$18.3m.

Borrowings increased at both the Group and Company levels mainly due to draw down of \$25.2m loan from DBS Bank, offset by repayment of bank borrowings and finance leases.

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CASH FLOW ANALYSIS

The Group generated a net cash of \$19.2m from operating activities in FY2006, an increase of \$6.5m, from \$12.7m in FY2005. This was mainly due to the higher profit after tax achieved in FY2006, as well as the increase of trade and other payables, resulting from higher business volume. The increase was offset by the higher inventory holdings due to the expansion of the IT distribution business, increase in trade and other receivables due to increase in revenue and higher tax paid due to better profitability in the business. Comparing 4Q2006 to 4Q2005, the Group generated a net cash inflow of \$5.9m as compared to \$3.9m in 4Q2005. Despite a lower profit after tax recorded in 4Q2006, the increase in cash inflow was achieved from the prompt collections from trade and other receivables as compared to 4Q2005.

Net cash of \$27.0m was used in investing activities in FY2006, up from \$13.9m in FY2005. This was due to \$29.8m invested in the purchase of machinery in FY2006, which was also partly financed by bills payable, offset by cash received from investing activities, namely dividends from an associated company and proceeds from the disposal of property, plant and equipment (mainly the older productive equipment), which collectively amounted to \$2.8m.. Comparing 4Q2006 to 4Q2005, net cash used in investing activities increased from \$4.0m to \$6.6m. The increase was mainly due to investment in property, plant and equipment.

Net cash of \$20.2m was generated from financing activities in FY2006, an improvement of \$18.4m, from \$1.8m in FY2005. This was mainly due to the drawdown of loans amounting to \$25.2m in FY2006, proceeds from bills payable for purchase of fixed assets and proceeds from issuance of ordinary shares to minority shareholders in subsidiaries. The increase was offset by the payment of dividends to shareholders and repayment of loan which collectively amounted to \$10.5m. The Group generated net cash of \$3.9m in 4Q2006 compared to cash used in 4Q2005 of \$480,000 from financing activities. The increase in cash in 4Q2006 was mainly due to drawdown of \$9.2m loan in 4Q2006 as well as dividend paid to shareholders of \$1.5m in 4Q2005 which did not occur in 4Q2006. The increase was offset by proceeds from issuance of ordinary shares upon exercise of warrants in 4Q2005 which did not occur in 4Q2006 and repayment of loan and bills payable of \$4.2m in 4Q2006.

Cash and cash equivalent stood at \$17.2m as at end of 31 December 2006, up from \$5.4m as at end of 31 December 2005.

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COMMENTARY ON CURRENT YEAR PROSPECTS

PCB

The Group witnessed another record year in 2006 in terms of revenue and profitability for its PCB-related business due primarily to a buoyant electronics industry. The strong momentum in the China business from FY2005 continued into FY2006 which more than offset the slow down in the Singapore manufacturing both 2Q2006 and 4Q2006. China has overtaken Singapore as the Group's largest manufacturing base in terms of sales, capacity and customer base since 2004 and accounted for 61% of the Group revenue in the manufacturing service division in FY2006, increasing from 51% in FY2005.

In the US, the North American PCB industry book-to-bill ratio was 0.92 for December 2006. A ratio of more than 1.00 suggests current demand is ahead of supply, which indicates probably near term growth. Even though the outlook in the near term in North America does not indicate growth, PCB producers in Asia, particularly those based in China, continues to remain bullish Taiwan PCB producers continues to speed up their expansion in China, especially in the Suzhou, Kunshan and Changsu regions of the Jiangsu Province (source: Tuesday, January 02, 2007|CENS, extracted from PCB007.com) and Taiwan makers of Notebook PCBs expects sales to increase by more than 30% in 2007 (source: DigiTimes.com Thursday 21 December 2006 "Taiwan notebook PCB makers expect strong sales growth in 2007").

The Group's main manufacturing facilities are located in the Suzhou, Kunshan and Wuxi regions of the Jiangsu province where it continues to serve the leading PCB manufacturers in Eastern China. Accordingly, the Group is well positioned to benefit from any additional capacity requirements of the PCB manufacturers based in those areas.

In addition to its leading position in Singapore, the Group is also currently the leading PCB drilling and routing service provider in terms of capacity and technology in Eastern China and the setting up of a production facility in Kunshan, the operations of which commenced in July 2006, further enhanced our position. This production facility enables the Group to support its customers in the Kunshan area with a faster turnaround time due to proximity.

The PCB-related business of the Group is dependent on the overall electronics cycle. With a wider customer base and the available capacity, the Group is well poised to meet any increase in demand for the services we provide.

As at 31 December 2006, the Group has 236 CNC drilling machines, 6 laser drilling machines and 50 routing machines. Included in the Group's machines currently are 101 drilling machines capable of drilling at speeds of 200,000 rpm, which can achieve higher accuracy for micro vias, particularly for hole-sizes of 0.2mm and below.

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COMMENTARY ON CURRENT YEAR PROSPECTS

The performance of the Group's PCB-related distribution business is tied to the demands of its existing customers in South East Asia. In a growing PCB market, this business is expected to continue to grow. However, growth is expected to be limited to the volumes and price reduction pressure from those customers. Price competitiveness also remains a challenge.

IT

For the IT distribution business, the Group, through the M.Tech group, will continue to focus on the best-of-breed internet security products. The Group currently carries industry leading products from Nokia, Check Point, RSA Security, Netapp, TippingPoint, Blue Coat, Riverbed, Allot, Foundry Networks, Sophos, Tripwire, Bluesocket, SurfControl, PGP, Patchlink, nCipher, Novell and nCircle.

In addition to its current product business, the Group is also involved in providing certified IT training through M.Tech Training Centre Pte Ltd, which is authorised to conduct training for Nokia, Check Point and RSA courses. In China, the Group is also an authorised training provider for Nokia courses. 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 31 December 2006, the Group's IT business has a total of 11 offices in 8 countries, with a presence extending to North Asia, following the commencement of its Shanghai operations in December 2004, its Beijing operations in December 2005 and its Guangzhou operations in June 2006. The Group's IT business expanded further into Philippines (Manila) and Hong Kong in May 2006 and August 2006 respectively. These new overseas offices are expected to make positive contribution to the Group's performance in FY2006.

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 intends to work closely with key partners to further promote the products we carry, including organizing marketing events.

Despite the Group's bright long term outlook in the IT business, events beyond our control could affect business in certain markets. The recent coup and the present political conditions in Thailand could slow growth due to uncertainties and delays in government projects. However, no adverse long term impact is expected.

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COMMENTARY ON CURRENT YEAR PROSPECTS

IT

IT has become an integral part of doing business and awareness of IT has been growing. Reliance on IT has been growing exponentially and applications of IT are now not confined only to the business area but to homes and travels as well. Governments around the region are also strong advocates of IT. With this higher reliance on IT comes the need for security.

The higher need for IT security also comes in the form of legislation. In the US, the Sarbanes-Oxley Act of 2002 was introduced in response to the US corporate scandals and has requirements for stringent internal controls, which includes IT controls. Chief information officers are responsible for the security, accuracy and the reliability of the systems that manage and report the financial data. Following the lead from the US, Japan has also introduced J-SOX, effective for fiscal years beginning on or after 1 April 2008. J-SOX has similar requirements for internal controls, including a section on IT support, which was added as an internal control element to reflect the importance of the IT environment to effective internal control.

With the standards imposed by the corporations themselves or by legislation, the needs for IT security are expected to grow. Also, as economies mature and awareness grows, an increasing amount of the total IT budget is expected to be incurred for IT security. These developments can only augur well for the Group.

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COMMENTARY ON CURRENT YEAR PROSPECTS**Prospects Statement for FY2007**

While the IT business is expected to grow further in importance to the Group, the PCB-related business is still expected to form the bulk of the Group's business in 2007. As the outlook in the business of distributing PCB specialty materials and related products continues to remain weak, the performance of the Group will be largely dependent on the performance of the Manufacturing Service Division. Given the high fixed costs nature of this business, a high sales turnover will ensure good profitability and the reverse holds. As the Group plans to expect to further expand its IT business territorially, the performance of the IT business will also depend on the political and economic climates of the markets the Group is operating in.

Based on the current visibility and market outlook in the region, the Directors are positive about 2007. If there is no let up in the electronics demand and no further deterioration of the political and economic environment of the Group's key markets, the Directors are optimistic that the performance of the Group in FY2007 to be better than FY2006.

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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.

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 and Hong Kong dollars. The Company may, from time to time, enter into borrowing and foreign exchange arrangements as currency hedges.

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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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 31 Dec 06		As at 31 Dec 05	
Secured	Unsecured	Secured	Unsecured
202,000	24,861,000	228,000	9,853,000

Amount repayable after one year

As at 31 Dec 06		As at 31 Dec 05	
Secured	Unsecured	Secured	Unsecured
1,052,000	17,443,000	1,236,000	4,150,000

Additional information and details of any collateral

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

Note: The unsecured amount includes convertible notes of USD1,925,000 (SGD equivalent: \$2,920,000)

2. SHARE CAPITAL

Group	Authorised shares '000	Issued shares '000	Share capital \$'000	Share premium \$'000	Total share capital \$'000
Balance at 1 January 06	600,000	356,381	17,819	17,785	35,604
Effects of Companies (Amendment) Act 2005 (see note (a) below)	(600,000)	-	18,666	(17,785)	881
Share issue pursuant to conversion of convertible notes	-	600	129	-	129
Balance at 31 December 06	-	356,981	36,614	-	36,614
Balance at 1 January 05	600,000	315,670	15,783	11,678	27,461
Issuance of shares pursuant to exercise of warrants	-	40,711	2,036	6,107	8,143
Balance at 31 December 05	600,000	356,381	17,819	17,785	35,604

Under the Companies (Amendment) Act 2005 that came into effect on 30 January 2006, the concepts of par value and authorised share capital are abolished and the amount in the share premium account and capital redemption reserve as of 30 January 2006 is required to become part of the company's share capital.

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NOTES TO THE FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES

There are no substantial changes to the accounting policies applied from the accounting policies in the Group's most recently audited financial statements for the year ended 31 December 2005.

The Group has reviewed and appropriately adjusted the useful lives and residual value of its property, plant and equipment during the current financial year in accordance with the requirements of FRS16. This revision has been accounted for prospectively during the current financial year and the effect of such a revision did not materially affect the current year's financial statements.

4. OTHER INFORMATION

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

There was no variance between the actual performances for the period ended 31 December 2006 and the prospects provided in the financial statement announcement for the year ended 31 December 2005.

5. EARNINGS PER ORDINARY SHARE

Group	3 months ended		12 months ended	
	31-Dec-06	31-Dec-05	31-Dec-06	31-Dec-05
Earnings per share attributable to the equity holders of the Company during the period (expressed in cents per share)				
(i) Based on weighted average number of shares	0.90 cents	1.39 cents	4.02 cents	3.16 cents
- Weighted average number of shares ('000)	356,981	356,381	356,981	356,381
(ii) On fully diluted basis	0.89 cents	1.39 cents	3.99 cents	3.15 cents
- Adjusted weighted average number of shares ('000)	359,114	356,373	359,146	357,819

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For the financial period ended 31 December 2006

NOTES TO THE FINANCIAL STATEMENTS

6. NET ASSET VALUE

	Group		Company	
	31-Dec-06	31-Dec-05	31-Dec-06	31-Dec-05
Net asset value per share based on existing issued share capital as at the respective period	16.78 cents	15.40 cents	13.07 cents	12.38 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 356,981,000 ordinary shares and 356,381,000 ordinary shares respectively.

7. DIVIDEND

(a) Current Financial Period Reported On

Name of dividend	Summary of dividend proposed per share	Amount \$'000	Payment date
Interim	Tax exempt (one-tier) dividend of 0.84 cents per ordinary share	2,994	31 August 2006

No final dividend has been declared/ recommended for FY2006.

(b) Dividend for financial year ended 31 December 2005

Name of dividend	Summary of dividend proposed per share	Amount \$'000	Payment date
Interim	Tax exempt (one-tier) dividend of 0.78 cents per ordinary share	2,665	31 August 2005
Special	Tax exempt (one-tier) dividend of 0.43 cents per ordinary share	1,525	2 December 2005
Final	Tax exempt (one-tier) dividend of 1.403 cents per ordinary share	5,000	23 May 2006
		9,190	

Please note that the Group is currently subject to the debt servicing ratio imposed by DBS following the drawdown of the term loan. The quantum of future dividend may be reduced in line with meeting the debt servicing ratio.

Full Year Financial Statement and Dividend Announcement
For the financial period ended 31 December 2006

8. ADDITIONAL INFORMATION

i) SEGMENT INFORMATION

	Manufacturing		Distribution		Total	
	12 months ended		12 months ended		12 months ended	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Total revenue from external customers	47,358	35,467	50,060	35,863	97,418	71,330
Segment results	12,853	10,464	3,203	1,915	16,056	12,379
Other gains - net	1,431	741	235	217	1,666	958
					17,722	13,337
Unallocated finance (costs)/gain - net					51	(327)
Income/(loss) from associate	-	-	(119)	27	(119)	27
Profit after income tax					17,654	13,037
Income tax expense					(2,960)	(1,584)
Net profit for the year					14,694	11,453
Other segment items						
Capital expenditure	29,043	15,931	746	288	29,789	16,219
Depreciation expense	8,475	7,163	338	309	8,813	7,472
	Manufacturing		Distribution		Total	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Segment assets	84,318	63,246	27,666	17,194	111,984	80,440
Investment in associate	-	-	1,735	2,084	1,735	2,084
Unallocated assets					10,485	2,625
Total assets					124,204	85,149
Segment liabilities	21,770	16,203	9,161	6,755	30,931	22,958
Unallocated liabilities					31,957	6,568
Total liabilities					62,888	29,526

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8. ADDITIONAL INFORMATION

i) SEGMENT INFORMATION

Geographical segments

Revenue	2006	2005
Singapore	33,845	33,977
China	39,411	21,233
Others	24,162	16,120
Total	97,418	71,330

	Carrying amount of segment assets		Additions to property, plant and equipment	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Singapore	40,933	34,454	11,339	7,364
ASEAN	7,622	3,930	297	117
China	65,164	44,140	18,153	8,738
	113,719	82,524	29,789	16,219
Unallocated assets	10,485	2,625		
Total	124,204	85,149		

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8. ADDITIONAL INFORMATION**ii) BREAKDOWN OF SALES**

	2006	2005	
	\$'000	S'000	%increase/ Decrease
(a) Sales reported for first half year	43,945	28,700	53%
(b) Profit after tax and minority interest reported for first half year	6,950	3,111	123%
(c) Sales reported for second half year	53,473	42,630	25%
(d) Profit after tax and minority interest reported for first half year	7,384	8,164	(10%)

BY ORDER OF THE BOARD

Foo Suan Sai
Chairman and Chief Executive Officer
26 January 2007