Multi-Chem Limited

(Incorporated in Singapore. Registration Number: 198500318Z)

Third Quarter Financial Statements

For The Financial Period Ended 30 September 2006

Multi-Chem Limited
Registration No. 198500318Z

Third Quarter Financial Statements
For the financial period ended 30 September 2006

CONSOLIDATED INCOME STATEMENT

Group	3 months ended			9 months ended		
	30-Sept-06 $'000	**30-Sept-05 $'000**	**Change %**	**30-Sept-06 $'000**	**30-Sept-05 $'000**	**Change %**
Revenue	26,574	20,032	33	70,519	48,732	45
Cost of sales	(17,977)	(13,727)	31	(47,084)	(34,324)	37
Gross profit	8,597	6,305	36	23,435	14,408	63
Other gains - net	509	465	9	1,170	748	56
Expenses						
- Distribution and marketing	(544)	(505)	8	(1,963)	(1,557)	26
- Administrative	(2,442)	(2,198)	11	(7,096)	(5,721)	24
- Others	(691)	(181)	282	(1,759)	(296)	494
- Finance	(255)	(53)	381	(411)	(139)	196
Share of (loss)/profits of associated company	(17)	25	(168)	(35)	93	(138)
Profit before income tax	5,167	3,858	34	13,341	7,536	77
Income tax expense	(846)	(620)	36	(1,942)	(1,085)	79
Net profit	4,311	3,238	33	11,399	6,451	77
Attributable to:						
Equity holders of the Company	4,185	3,211	30	11,135	6,322	76
Minority interests	126	27	367	264	129	105
	4,311	3,238	33	11,399	6,451	77
Earnings per share attributable to the equity holders of the Company during the period (expressed in cents per share)						
Basic	1.17 cents	0.94 cents		3.12 cents	1.85 cents	
Diluted	1.17 cents	0.94 cents		3.10 cents	1.83 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-Sept-06 $'000	**30-Sept-05 $'000**	**Change %**	**30-Sept-06 $'000**	**30-Sept-05 $'000**	**Change %**
Other income	92	163	(44)	223	436	(49)
Interest income	116	27	330	234	48	388
Interest expense	(255)	(53)	381	(411)	(139)	196
Depreciation of property, plant and equipment	(2,260)	(1,920)	18	(6,177)	(5,542)	11
(Provision)/write back for impairment of debts - net	(19)	28	(168)	(18)	137	(113)
Bad debts written off	(3)	(19)	(84)	(106)	(10)	960
Inventory write-down	(329)	(42)	683	(394)	(41)	861
Foreign exchange gain	152	312	(52)	406	424	(4)
Gain/(loss) on disposal of property, plant and equipment	177	(46)	485	437	(287)	252
Gain on dilution of interest in a subsidiary	10	-	Nm	10	-	Nm
Impairment on goodwill	(16)	-	Nm	(16)	-	Nm

Nm: Not meaningful

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BALANCE SHEET

	Group		Company	
	30-Sept-06	**31-Dec-05**	**30-Sept-06**	**31-Dec-05**
	$'000	**$'000**	**$'000**	**$'000**
Current assets				
Cash and cash equivalents	14,342	5,446	10,141	2,467
Trade and other receivables	28,456	24,689	19,097	12,403
Inventories	8,025	4,133	1,295	1,619
Other current assets	953	646	235	155
	51,776	34,914	30,768	16,644
Non-current assets				
Club memberships	128	132	-	-
Investment in an associated company	1,819	2,084	1,050	1,050
Investments in subsidiaries	-	-	38,382	30,347
Property, plant and equipment	62,233	48,019	18,793	16,445
	64,180	50,235	58,225	47,842
Total assets	**115,956**	**85,149**	**88,993**	**64,486**
Current liabilities				
Trade and other payables	15,445	11,870	4,504	4,870
Current income tax liabilities	1,663	1,457	926	957
Bills payable to banks	18,167	9,022	18,167	9,022
Borrowings	4,992	1,059	4,202	228
	40,267	23,408	27,799	15,077
Non-Current liabilities				
Borrowings	16,523	5,386	16,326	4,555
Deferred income tax liabilities	655	732	652	725
	17,178	6,118	16,978	5,280
Total liabilities	**57,445**	**29,526**	**44,777**	**20,357**
NET ASSETS	**58,511**	**55,623**	**44,216**	**44,129**
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital and share premium	35,724	35,604	35,724	35,604
Other reserves	(153)	810	1,111	1,111
Retained earnings	21,627	18,486	7,381	7,414
	57,198	54,900	44,216	44,129
Minority interest	1,313	723	-	-
Total equity	**58,511**	**55,623**	**44,216**	**44,129**

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CONSOLIDATED CASHFLOW STATEMENT

Period ended 30 September 2006 S$'000	3 months ended		9 months ended	
	30-Sept-06	**30-Sept-05**	**30-Sept-06**	**30-Sept-05**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after income tax	4,311	3,238	11,399	6,451
Adjustments for:				
Tax	846	620	1,942	1,085
(Gain)/ loss on disposal of property, plant and equipment	(176)	46	(437)	287
Depreciation	2,260	1,920	6,177	5,542
Interest expense	255	53	411	139
Interest income	(116)	(27)	(234)	(48)
Gain on dilution of interest in a subsidiary	(10)	-	(10)	-
Impairment on goodwill	16	-	16	-
Share of results from an associated company	17	(25)	35	(93)
Operating cash flows before working capital changes	7,403	5,825	19,299	13,363
Change in operating assets and liabilities				
Inventories	(2,015)	(753)	(3,892)	(1,755)
Trade and other receivables	(5,515)	(3,099)	(3,767)	(5,360)
Other assets	26	188	(307)	(103)
Trade and other payables	2,593	1,323	3,575	3,816
	(4,911)	(2,341)	(4,391)	(3,402)
Cash generated from operations	2,492	3,484	14,908	9,961
Interest received	116	27	234	48
Income tax paid	(891)	(468)	(1,813)	(1,230)
Net cash provided by operating activities	1,717	3,043	13,329	8,779

CONSOLIDATED CASHFLOW STATEMENT

S$'000	3 months ended		9 months ended	
	30-Sept-06	**30-Sept-05**	**30-Sept-06**	**30-Sept-05**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment	(5,599)	(4,342)	(21,931)	(11,523)
Dividends received from associated company	-	-	230	25
Proceeds from disposals of property, plant and equipment	302	202	1,290	1,524
Proceeds from disposal of available-for-sale financial asset	-	-	-	75
Net cash used in investing activities	(5,297)	(4,140)	(20,411)	(9,899)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of lease liabilities	(53)	(118)	(174)	(225)
(Repayments of)/ proceeds from borrowings	(209)	(172)	15,325	(543)
Proceeds from bills payable – net	2,474	3,163	9,145	5,892
Interest paid	(231)	(53)	(372)	(139)
Dividends paid to shareholders	(2,994)	(2,665)	(7,994)	(6,689)
Dividends paid to minority shareholders	-	-	(530)	-
Proceeds from warrants exercised	-	3,605	-	3,909
Repayment of loan from Director	-	(1,000)	-	-
Proceeds from issuance of ordinary shares to minority shareholders in subsidiaries	820	-	850	30
Net cash (used in) /provided by financing activities	(193)	2,760	16,250	2,235
Net (decrease)/ increase in cash and cash equivalents	(3,773)	1,663	9,168	1,115
Cash and Cash Equivalents at Beginning of the Period	19,006	4,959	5,446	4,994
Effects of exchange rate changes on cash and cash equivalents	(891)	(708)	(272)	(195)
Cash and Cash Equivalents at End of the Period	14,342	5,914	14,342	5,914

STATEMENTS OF CHANGES IN EQUITY

Group	Attributable to equity holders of the Company				
	Share capital and share premium $'000	Other reserves $'000	Retained earnings $'000	Minority interest $'000	Total equity $'000
Balance at 1 January 06	35,604	810	18,486	723	55,623
Net loss recognised directly in equity					
- Currency translation differences	-	(963)	-	-	(963)
Net profit for the period	-	-	11,135	264	11,399
Total recognised (losses)/gains for the period	**-**	**(963)**	**11,135**	**264**	**10,436**
Conversion of convertible notes	120	-	-	-	120
Dividend relating to 2006 paid	-	-	(5,000)	(530)	(5,530)
Dividend relating to 2005 paid	-	-	(2,994)	-	(2,994)
Issue of shares by a subsidiary	-	-	-	856	856
Balance at 30 September 06	**35,724**	**(153)**	**21,627**	**1,313**	**58,511**
Balance at 1 January 05	27,461	2,032	15,425	515	45,433
Net loss recognised directly in equity					
- Currency translation differences	-	1,261	-	-	1,261
Net profit for the period	-	-	6,322	129	6,451
Total recognised gains for the period	**-**	**1,261**	**6,322**	**129**	**7,712**
Dividend relating to 2004 paid	-	-	(4,024)	-	(4,024)
Dividend relating to 2005 paid	-	-	(2,665)	-	(2,665)
Issuance of shares pursuant to exercise of warrants	5,212	(1,303)	-	-	3,909
Issue of shares by a subsidiary	-	-	-	30	30
Balance at 30 September 05	**32,673**	**1,990**	**15,058**	**674**	**50,395**

STATEMENTS OF CHANGES IN EQUITY

Company	**Attributable to equity holders of the Company**			
	Share capital and share premium	**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 period	-	-	7,961	7,961
Conversion of convertible notes	120	-	-	120
Dividend relating to 2006 paid	-	-	(5,000)	(5,000)
Dividend relating to 2005 paid	-	-	(2,994)	(2,994)
Balance at 30 September 06	**35,724**	**1,111**	**7,381**	**44,216**
Balance at 1 January 05	27,461	3,147	10,112	40,720
Issuance of shares pursuant to exercise of warrants	5,212	(1,303)	-	3,909
Net profit for the period	-	-	5,245	5,245
Dividend relating to 2004 paid			(4,024)	(4,024)
Dividend relating to 2005 paid	-	-	(2,665)	(2,665)
Balance at 30 September 05	**32,673**	**1,844**	**8,668**	**43,185**

REVIEW OF PERFORMANCE OF THE GROUP

REVENUE

The Group achieved revenue of $26.6m for the three months ended 30 September 2006 (“3Q2006”), an increase of 32.7% or $6.6m compared to the revenue of $20.0m for the three months ended 30 September 2005 (“3Q2005”). For the nine months ended 30 September 2006 (“9M2006”), the Group achieved revenue of $70.5m. This was a significant year-on-year increase of 44.7% or $21.8m, compared to revenue of $48.7m for the nine months ended 30 September 2005 (“9M2005”). The better year-on-year revenue performance was mainly due to the growth in the Group’s manufacturing service business and the IT distribution business.

Comparing 3Q2006 to the three months ended 30 June 2006 (“2Q2006”), Group revenue improved by 21.6% or $4.7m from $21.8m to $26.6m due to the recovery of the manufacturing service business in Singapore from the slow down in 2Q2006 and the continuing growth in both the manufacturing service business in China and the IT distribution business.

In 9M2006, 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%.

REVIEW OF PERFORMANCE OF THE GROUP

REVENUE

Manufacturing Service Division

Revenue in this Division grew by 21.8% or $2.3m, from $10.4m in 3Q2005 to $12.6m in 3Q2006. 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.

Both the manufacturing service business in China and Singapore recorded revenue growth in 3Q2006 compared to 3Q2005. The growth in China was achieved due to a more diverse customer base in China, an increase in the Group's mechanical drilling capacity there from an average of 93 mechanical drilling machines in 3Q2005 to 141 in 3Q2006 as well as higher efficiency from more advanced machines. The operations of the newly set-up subsidiary in Kunshan which commenced in July 2006 also contributed to the growth. The growth in Singapore was achieved from the pick up in demand and an increase in the mechanical drilling capacity from an average of 55 mechanical drilling machines in 3Q2005 to 70 mechanical drilling machines in 3Q2006. Mechanical drilling made up approximately 90% of the business in this Division.

In 9M2006, this Division achieved revenue of $34.2m, a strong growth of 42.8% over revenue of $24.0m achieved in 9M2005.

Comparing 3Q2006 to 2Q2006, revenue in this Division increased by 21.5% or $2.2m from $10.4m in 2Q2006 to $12.6m in 3Q2006. This was due to the pick up in June 2006 after a slower start to 2Q2006 in Singapore and the sustained strong demand in China.

REVIEW OF PERFORMANCE OF THE GROUP

Distribution Division

The Group achieved revenue of $14.0m for this Division in 3Q2006, an increase of 44.3% or $4.3m over the revenue of $9.7m in 3Q2005. Comparing 9M2006 to 9M2005, the Group achieved a revenue growth of 46.6% or $11.5m, from $24.8m in 9M2005 to $36.3m in 9M2006. The increase in revenue is contributed mainly by the growth in the IT business. Comparing 3Q2006 to 2Q2006, revenue increased by 21.8% or $2.5m from $11.5m to $14.0m.

PCB

Revenue derived from the distribution of PCB specialty chemicals and related materials dropped marginally by 1.2% from $2.1m in 3Q2005 to $2.0m in 3Q2006. Comparing 9M2006 to 9M2005, this business achieved revenue of $6.2m in 9M2006, compared to $6.4m in 9M2005, a decrease of 3.6% or $231,000. The lower revenue earned was mainly due to the drop in business from one product line commencing September 2005 due to pricing issues.

Comparing 2Q2006 to 3Q2006, revenue in this segment increased marginally by 9.3% or $82,000. This was mainly due the increase in demand from our customer in China in 3Q2006 offset by a customer discontinuing the use of our specialty chemical in June 2006.

IT

Revenue derived from distribution of IT products increased by 56.6% or $4.3m, from $7.6m in 3Q2005 to $11.9m in 3Q2006. Over the first 3 quarters, revenue grew by 64.2% or $11.8m, from $18.3m in 9M2005 to $30.1m in 9M2006. Comparing 3Q2006 and 2Q2006, revenue increased by 25.4% or $2.4m from $9.5m in 2Q2006 to $11.9m in 3Q2006.

The growth in this business was largely due to the expansion of the regional businesses. Offices in China (Beijing and Guangzhou) and Philippines (Manila), which commenced operations for less than a year also contributed to the revenue for 3Q2006 and 9M2006. 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.

REVIEW OF PERFORMANCE OF THE GROUP

PROFIT BEFORE TAX ("PBT")

The Group achieved a PBT of $5.2m in 3Q2006, an increase of 33.8% or $1.3m over the PBT of $3.9m achieved in 3Q2005, largely in line with the higher revenue and gross profit in 3Q2006 compared to 3Q2005.

Additionally, this increase in PBT was due to the gain on disposal of fixed assets of $177,000 in 3Q2006 as compared to loss on disposal of fixed assets of $46,000 in 3Q2005.

The increase in PBT was offset by the following:-

(1) Increase in machinery depreciation of $340,000 from $1.9m in 3Q2005 to $2.3m in 3Q2006 due to addition of new machines;

(2) Foreign exchange gain of $152,000 in 3Q2006 compared to $312,000 in 3Q2005. In 3Q2006, the effect of the weaker US dollar on the Group is offset by the effect of the weaker Chinese renminbi vis-à-vis the Singapore dollar;

(3) An increase in payroll-related expenses from $1.7m in 3Q2005 to $2.2m in 3Q2006 due mainly to provision for directors' share of profits, as provided for in their respective service agreements, higher headcount from the expansion of the regional businesses and higher commission from higher sales;

(4) An increase in finance expenses from $53,000 in 3Q2005 to $255,000 in 3Q2006 due mainly to the interest charged on the long term loan; and

(5) Inventory write-down of $329,000 in 3Q2006 compared to $42,000 in 3Q2005. The inventory write-down mainly relates to the IT stock, in line with the Group's inventory provision policy.

Comparing 9M2005 to 9M2006, Group PBT increased by 77.1% or $5.8m, from $7.5m in 9M2005 to $13.3m in 9M2006. The improvement is in line with the higher revenue and gross profit.

Group PBT increased by 62.1% or $2.0m, from $3.2m in 2Q2006 to $5.2m in 3Q2006 due to the recovery of the business in Singapore from a slower 2Q2006.

REVIEW OF PERFORMANCE OF THE GROUP

PROFIT AFTER TAX ("PAT")

Group PAT increased by 33.3% or $1.1m, from $3.2m in 3Q2005 to $4.3m in 3Q2006. Comparing 9M2006 to 9M2005, PAT increased by 76.8% or $5.0m, from $6.5m in 9M2005 to $11.4m in 9M2006. On a sequential basis, Group PAT increased from $2.7m in 2Q2006 to $4.3m in 3Q2006. These were largely in line with the changes in PBT.

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

BALANCE SHEET REVIEW

Below is a review of material changes in the key balance sheet items for the nine-month period ended 30 September 2006.

Cash and cash equivalents at the Group level increased from $5.4m to $14.3m. At the Company level, cash and cash equivalents increased from $2.5m to $10.1m. The increases at both the Group and Company level were mainly due to positive cash flow from working capital and the draw down of $16m loan from DBS in May 2006, net of repayments of bills payable and dividend payment of $8.5m.

Trade and other receivables of the Group increased marginally from $24.7m to $28.5m. The increase is in line with the increase in revenue in 3Q2006 as compared to 4Q2005. At the Company level, trade and other receivables increased from $12.4m to $19.0m mainly due to the sales of machinery to China subsidiaries for the expansion.

Inventories at the Group level increased from $4.1m to $8.0m mainly due to the increase in IT stock resulting from the growth of the IT business in Singapore and regionally, offset by the provision for stock obsolescence of $394,000. At the Company level, inventories which comprised PCB specialty chemicals and related materials decreased from $1.6m to $1.3m which is in line with the decrease in the PCB distribution business.

Other current assets for the Group increased from $646,000 to $953,000 mainly due to prepayment of factory rental and equipment purchased for the manufacturing service business in China.

Investment in an associated company decreased from $2.1m to $1.8m mainly due to dividends paid amounting to $230,000. There is no change at the Company level as the investment is now accounted for at cost, as opposed to the equity method at Group level.

Property, plant and equipment increased from $48.0m to $62.2m at the Group level and increased from $16.4m to $18.8m at the Company level. The increase is mainly due to addition of 61 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 6 units of used CNC drilling machines in Singapore and China to third parties and the depreciation charged.

Trade and other payables decreased marginally from $4.9m to $4.5m at the Company level due mainly to prompt payment to suppliers, offset by the payable of provision for directors' share of profits, as provided for in their respective service agreements. The increase in payables at Group level from $11.9m to $15.4m 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.

BALANCE SHEET REVIEW

Bills payable to banks increased from $9.0m to $18.2m at both the Group and the Company level. The increase is mainly due to additional bills payable amounting to $18.3m for financing the purchase of new machines in 9M2006 offset by repayment of $9.1m in the same period.

Borrowings increased at both the Group and Company levels mainly due to draw down of $16m loan from DBS in May 2006, offset by repayment of bank borrowings and finance leases.

CASH FLOW ANALYSIS

The Group generated a net cash of $13.3m from operating activities in 9M2006, an improvement of $4.6m, from $8.8m in 9M2005. This was mainly due to the higher profit after tax achieved in 9M2006, 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 3Q2006 to 3Q2005, the Group generated a lower net cash flow of $1.7m as compared to $3.0m in 3Q2005 mainly due to higher inventory holdings and increase in trade and other receivables.

Net cash of $20.4m was used in investing activities in 9M2006, up from $9.9m in 9M2005. This was despite cash received from investing activities, namely dividends from an associated company and proceeds from disposal of property, plant and equipment, which collectively amounted to $1.5m. About $21.9m was invested in the purchase of machinery in 9M2006, which was also partly financed by bills payable. Comparing 3Q2006 to 3Q2005, the Group net cash used in investing activities of $5.3m was higher compared to $4.1m in 3Q2005. The increase was mainly due to investment in property, plant and equipment.

Net cash of $16.3m was generated from financing activities in 9M2006, an improvement of $14.0m, from $2.2m in 9M2005. This was mainly due to draw down of $16m loan in 9M2006 as well as the proceeds from bills payable for purchase of fixed assets. The increase was offset by payment of dividends to shareholders. The Group used $193,000 in 3Q2006 compared to cash generated in 3Q2005 of $2.8m from financing activities. The decrease in cash in 3Q2006 was mainly due to proceeds from warrants exercised offset by repayment of loan to Director, amounted to $2.6m in 3Q2005 which did not occur in 3Q2006.

Cash and cash equivalent stood at $14.3m as at end of 30 September 2006, up from $5.9m as at end of 30 September 2005.

COMMENTARY ON CURRENT YEAR PROSPECTS

PCB

The Group witnessed a record year in 2005 in terms of revenue and profitability for its PCB-related business due very much to a buoyant electronics industry. The upward momentum continued into 1Q2006 but the Singapore manufacturing service business, after experiencing four consecutive quarters of growth, slowed down in 2Q2006 after a strong 1Q2006 and picked up again in June 2006

In the US, the North American PCB industry book-to-bill ratio was 1.05 for August 2006, a slight improvement from 1.00 for June 2006. A ratio of more than 1.00 suggests current demand is ahead of supply, which indicates probably near term growth. This means that the outlook continues to remain positive. In Singapore, after a slower start to 2Q2006, demand for manufacturing service has picked up since June 2006 and in China, demand remains strong.

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

As at 30 September 2006, the Group had 214 CNC drilling machines, 6 laser drilling machines and 50 routing machines. Included in the Group's machines currently are 97 drilling machines capable of drilling at speeds of 200,000 rpm, which can achieve higher accuracy for micro vias, particularly for hole size of 0.2mm and below.

The setting up of a wholly-owned subsidiary in Kunshan has been completed and commenced operations in July 2006. As at 30 September 2006, the Kunshan factory had 8 drilling machines and 10 routing machines. This subsidiary enables the Group to serve its customers in the Kunshan area with a faster turnaround time due to proximity.

The Group will continue to serve the leading PCB manufacturers in Singapore, Malaysia and the Shanghai, Suzhou, Kunshan and Wuxi regions where it is currently the leading PCB drilling and routing service provider in terms of capacity and technology. Accordingly, the Group is well positioned to benefit from any additional capacity requirements of major PCB manufacturers based in those areas.

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.

COMMENTARY ON CURRENT YEAR PROSPECTS

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 now carries industry leading products from Nokia, Check Point, RSA Security, Netapp, TippingPoint, Allot, Foundry Networks, Sophos, Tripwire, ServGate, Bluesocket, SurfControl, PGP, Patchlink, nCipher, e-Security, Secure Computing, nCircle and Riverbed.

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 now 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 30 September 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 in Thailand, could slow growth due to uncertainties and delays in government projects. However, no adverse long term impact is expected.

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. As economies mature, 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.

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 and Philippines peso. 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.

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 Sept 06		As at 31 Dec 05	
Secured	Unsecured	Secured	Unsecured
202,000	22,957,000	228,000	9,853,000

Amount repayable after one year

As at 30 Sept 06		As at 31 Dec 05	
Secured	Unsecured	Secured	Unsecured
1,088,000	15,435,000	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: $3,238,000)

2. SHARE CAPITAL AND SHARE PREMIUM

Group	Authorised shares '000	Issued shares '000	Share capital $'000	Share premium $'000	Total share capital and share premium $'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)	-	17,785	(17,785)	-
Share issue pursuant to conversion of convertible notes	-	600	120	-	120
Balance at 30 September 06	**-**	**356,981**	**35,724**	**-**	**35,724**
Balance at 1 January 05	600,000	315,670	15,783	11,678	27,461
Issuance of shares pursuant to exercise of warrants	-	2,024	102	304	406
Balance at 30 September 05	**600,000**	**317,694**	**15,885**	**11,982**	**27,867**

(a) 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 as of 30 January 2006 is required to become part of the company's share capital.

NOTES TO THE FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES

The same accounting policies and methods of computation as in the Group's most recently audited financial statements for the year ended 31 December 2005 have been applied.

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 30 September 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**		**9 months ended**	
	30-Sept-06	**30-Sept-05**	**30-Sept-06**	**30-09-05**
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in cents per share)				
(i) Based on weighted average number of shares	1.17 cents	0.94 cents	3.12 cents	1.85 cents
- Weighted average number of shares ('000)	356,981	341,725	356,981	341,725
(ii) On fully diluted basis	1.17 cents	0.94 cents	3.10 cents	1.83 cents
- Adjusted weighted average number of shares ('000)	358,530	343,224	359,220	345,456

6. NET ASSET VALUE

	Group		**Company**	
	30-Sept-06	**31-Dec-05**	**30-Sept-06**	**31-Dec-05**
Net asset value per share based on existing issued share capital as at the respective period	16.02 cents	15.40 cents	12.39 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.

NOTES TO THE FINANCIAL STATEMENTS

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 interim dividend has been declared/ recommended for 3Q2006.

(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 ax	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 draw down of the $16m term loan. The quantum of future dividend may be reduced in line with meeting the debt servicing ratio.

BY ORDER OF THE BOARD

Foo Suan Sai
Chairman and Chief Executive Officer
30 October 2006

CONFIRMATION BY THE BOARD

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 3Q2006 financial results to be false or misleading.

On behalf of the board of directors

Foo Suan Sai
Chairman and Chief Executive Officer
Singapore, 30 October 2006

Han Juat Hoon
Chief Operating Officer
Singapore, 30 October 2006