



Multi-Chem Limited

(Incorporated in Singapore. Registration Number: 198500318Z)

Interim Financial Statements

For The Financial Period From 1 January 2008 To 30 June 2008

Interim Financial Statements

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

CONSOLIDATED INCOME STATEMENT

Group	3 months ended			6 months ended		
	30/06/2008 \$'000	30/06/2007 \$'000	Change %	30/06/2008 \$'000	30/06/2007 \$'000	Change %
Sales	31,921	35,250	(9)	66,241	63,685	4
Cost of sales	(24,540)	(27,451)	(11)	(51,174)	(48,961)	5
Gross profit	7,381	7,799	(5)	15,067	14,724	2
Other gains - net	333	110	203	1,682	400	321
Expenses						
- Distribution and marketing	(1,150)	(812)	42	(2,156)	(1,615)	33
- Administrative expenses	(7,314)	(4,253)	72	(11,956)	(7,534)	59
Finance expense	(134)	(621)	(78)	(354)	(942)	(62)
Share of loss of associated company	(45)	(18)	153	(98)	(103)	(4)
(Loss)/profit before income tax	(929)	2,205	(142)	2,185	4,930	(56)
Income tax expense	(326)	(695)	(53)	(916)	(1,549)	(41)
Net (loss)/profit	(1,255)	1,510	(183)	1,269	3,381	(62)
Attributable to:						
Equity holders of the Company	(1,452)	1,358	(207)	966	3,084	(69)
Minority interests	197	152	30	303	297	2
	(1,255)	1,510	(183)	1,269	3,381	(62)
Earnings per share attributable to the equity holders of the Company during the financial period (expressed in cents per share)						
- Basic	(0.40) cents	0.38 cents		0.27 cents	0.86 cents	
- Diluted	(0.40) cents	0.38 cents		0.27 cents	0.86 cents	

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

Group	3 months ended			6 months ended		
	30/06/2008	30/06/2007	Change	30/06/2008	30/06/2007	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Other income - net	84	27	211	179	144	24
Interest income	16	38	(58)	33	121	(73)
Finance expense	(134)	(621)	(78)	(354)	(942)	(62)
Depreciation	(3,080)	(2,537)	21	(5,872)	(5,480)	7
Provision for impairment of debts - net	(2,966)	(490)	505	(3,475)	(327)	963
Bad debts (written off)/recovered	(2)	1	(266)	(3)	26	(110)
Write back/(provision) for inventory impairment	181	(474)	(138)	(208)	(517)	(60)
Foreign exchange gain/(losses) - net	193	(1)	(19,400)	1,396	72	1,839
Gain on disposal of property, plant and equipment	40	46	(13)	74	63	18

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BALANCE SHEET

\$'000	Group		Company	
	30/06/2008	31/12/2007	30/06/2008	31/12/2007
Current assets				
Cash and cash equivalents	26,309	10,676	13,093	522
Trade and other receivables	36,590	46,338	25,784	34,391
Inventories	13,735	9,664	867	1,503
Other current assets	1,576	1,384	636	609
	<u>78,210</u>	<u>68,062</u>	<u>40,380</u>	<u>37,025</u>
Non-current assets				
Other non-current assets	129	127	-	-
Investment in an associated company	1,519	1,618	1,050	1,050
Investments in subsidiaries	-	-	66,855	64,045
Property, plant and equipment	77,695	85,639	11,251	14,601
Deferred income tax assets	70	16	30	-
	<u>79,413</u>	<u>87,400</u>	<u>79,186</u>	<u>79,696</u>
Total assets	<u>157,623</u>	<u>155,462</u>	<u>119,566</u>	<u>116,721</u>
Current liabilities				
Trade and other payables	30,285	26,629	8,748	9,326
Current income tax liabilities	1,742	2,029	376	609
Borrowings	29,928	35,842	29,928	34,842
	<u>61,955</u>	<u>64,500</u>	<u>39,052</u>	<u>44,777</u>
Non-current liabilities				
Borrowings	18,606	11,862	18,606	11,862
Deferred tax liabilities	-	546	-	527
	<u>18,606</u>	<u>12,408</u>	<u>18,606</u>	<u>12,389</u>
Total liabilities	<u>80,561</u>	<u>76,908</u>	<u>57,658</u>	<u>57,166</u>
NET ASSETS	<u>77,062</u>	<u>78,554</u>	<u>61,908</u>	<u>59,555</u>
Share capital and reserves				
Share capital	37,288	37,288	37,288	37,288
Other reserves	(1,241)	(1,461)	-	-
Retained earnings	38,440	40,465	24,620	22,267
Equity attributable to equity holders of the company	<u>74,487</u>	<u>76,292</u>	<u>61,098</u>	<u>59,555</u>
Minority interests	2,575	2,262	-	-
Total equity	<u>77,062</u>	<u>78,554</u>	<u>61,098</u>	<u>59,555</u>

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CONSOLIDATED CASHFLOW STATEMENT

S\$'000

	3 months ended		6 months ended	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss)/profit	(1,255)	1,510	1,269	3,381
Adjustments for:				
- Income tax expense	326	695	916	1,549
- Depreciation of property, plant and equipment	3,080	2,537	5,872	5,480
- Interest expenses	134	621	354	942
- Interest income	(16)	(38)	(33)	(121)
- Gain on disposal of property, plant and equipment	(40)	(46)	(74)	(63)
- Share of results from an associated company	45	18	98	103
- Currency exchange (gain)/losses - net	(193)	1	(1,396)	(72)
Operating cashflow before working capital changes	2,081	5,298	7,006	11,199
Change in operating assets and liabilities				
- Inventories	(6,618)	(2,605)	(4,071)	(5,698)
- Trade and other receivables	5,538	(5,008)	9,748	(6,127)
- Other assets	(166)	76	(193)	(120)
- Trade and other payables	9,341	7,819	3,656	10,413
	8,095	282	9,140	(1,532)
Cash generated from operating activities	10,176	5,580	16,146	9,667
Interest received	16	37	33	121
Income tax paid	(1,343)	(1,944)	(1,803)	(2,368)
Net cash inflow from operating activities	8,849	3,673	14,376	7,420

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CONSOLIDATED CASHFLOW STATEMENT

S\$'000

	3 months ended		6 months ended	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,339)	(3,479)	(1,909)	(6,968)
Purchase of club memberships	-	-	-	(38)
Proceeds from disposals of property, plant and equipment	4,633	223	4,826	422
Net cash inflow/(outflow) from investing activities	3,294	(3,256)	2,917	(6,584)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of bills payable	(6,183)	(5,634)	(6,183)	(11,571)
Proceeds from bills payable	1,226	2,683	1,226	5,292
Repayments of lease liabilities	(58)	(55)	(114)	(127)
Proceeds from borrowings	16,416	-	16,416	-
Repayments of borrowings	(2,489)	(1,902)	(9,406)	(3,168)
Interest paid	(134)	(371)	(354)	(666)
Dividends paid to shareholders	(2,991)	-	(2,991)	-
Net cash inflow/(outflow) from financing activities	5,787	(5,279)	(1,406)	(10,240)
Net increase/(decrease) in cash and cash equivalents	17,930	(4,862)	15,887	(9,404)
Cash and cash equivalents at beginning of the financial period	8,417	12,635	10,676	17,232
Effects of exchange rate changes on cash and cash equivalents	(38)	156	(254)	101
Cash and cash equivalents at end of the financial period	26,309	7,929	26,309	7,929

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

	Share capital \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Minority interests \$'000	Total equity \$'000
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	-	220	-	220	-	220
Net profit for the period	-	-	966	966	303	1,269
Total recognised gains for the financial period	-	220	966	1,186	303	1,489
Dividends paid	-	-	(2,991)	(2,991)	-	(2,991)
Adjustment to prior year MI figure	-	-	-	-	10	10
Balance at 30 June 08	37,288	(1,241)	38,440	74,487	2,575	77,062
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	-	1,691	-	1,691	-	1,691
Net profit for the financial period	-	-	3,084	3,084	297	3,381
Total recognised gains for the financial period	-	1,691	3,084	4,775	297	5,072
Conversion of convertible notes	729	(49)	-	680	-	680
Redemption of convertible notes	-	(172)	172	-	-	-
Balance at 30 June 07	37,288	(64)	28,137	65,361	1,707	67,068

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

Company	Share capital	Other reserves	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 08	37,288	-	22,267	59,555
Net profit for the financial period	-	-	5,344	5,344
Dividend relating to FY2007 paid	-	-	(2,991)	(2,991)
Balance at 30 June 08	37,288	-	24,620	61,908
Balance at 1 January 07	36,559	221	9,897	46,677
Net profit for the financial period	-	-	4,652	4,652
Conversion of convertible notes	729	(49)	-	680
Redemption of convertible notes	-	(172)	172	-
Balance at 30 June 07	37,288	-	14,721	52,009

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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) seasonable 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 \$31.9m in 2Q2008, a decrease of 9.4% or \$3.3m compared to the revenue of \$35.3m for the three months ended 30 June 2007 ("2Q2007"). Comparing to the three months ended 31 March 2008 ("1Q2008"), revenue for 2Q2008 of \$31.9m decreased by 7.0% or \$2.4m over the revenue of \$34.3m achieved. The decrease in revenue was mainly attributable to the manufacturing service business in Singapore and the distribution business.

For the six months ended 30 June 2008 ("1H2008"), the Group achieved revenue of \$66.2m, a marginal year-on-year increase of 4.0% or \$2.6m, compared to revenue of \$63.7m for the six months ended 30 June 2007 ("1H2007"). The better revenue performance was mainly due to the growth in the laser drilling business in China.

In 1H2008, the manufacturing service business accounted for about 34% of Group revenue, while the distribution business, comprising the distribution of PCB-related materials and IT distribution, accounted for the remaining 66%.

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REVENUE

Manufacturing Service Division

Revenue in this Division decreased marginally by 1.0% or \$114,000, from \$11.4m in 2Q2007 to \$11.3m in 2Q2008. Despite the growth in the manufacturing business in China, it is not able to fully offset the effect of the slowdown in the manufacturing business in Singapore.

Since the three months ended 31 December 2007 ("4Q2007"), performance of the manufacturing service business in Singapore did not improve. The performance weakened by 43.7% and 21.5% as compared to 2Q2007 and 1Q2008 respectively, mainly due to the lower demand for outsourced mechanical drilling services and the decrease in the Group's mechanical drilling capacity in Singapore from an average of 74 mechanical drilling machines in 2Q2007 to 39 in 2Q2008.

In contrast to the performance in Singapore, the mechanical and laser drilling business in China recorded revenue of \$8.5m in 2Q2008, an increase of 24.6% or \$1.7m from \$6.8m in 2Q2007. Laser drilling business alone contributed 78% of the growth as the revenue from the laser business increased from \$191,000 in 2Q2007 to \$1.5m in 2Q2008. The Group has since added 12 new laser machines from 6 in 2Q2007 to 18 in 2Q2008 to meet the increase in demand from the higher requirement for handset PCBs. The increase in demand particularly in the Kunshan area for automotive, computer and server PCBs contributed to the revenue growth for mechanical drilling business in China.

Comparing the half yearly performance, revenue of the manufacturing service business in Singapore weakened by 39.5% from \$7.4m in 1H2007 to \$4.5m in 1H2008. Despite the slow down in Singapore, this Division achieved revenue of \$22.2m, a marginal growth of 0.5% or \$110,000 over revenue of \$22.1m achieved in 1H2007 mainly due to the stronger demand for laser drilling service in China.

Comparing 2Q2008 to 1Q2008, revenue in this Division increased marginally by 3.3% or \$360,000 from \$10.9m in 1Q2008 to \$11.3m in 2Q2008.

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Distribution Division

The Group reported a decrease of 13.5% or \$3.2m from \$23.8m in 2Q2007 to \$20.6m in 2Q2008 for the Distribution Division. Comparing 2Q2008 to 1Q2008, revenue decreased by 11.8% or \$2.8m from \$23.4m to \$20.6m. On a half yearly basis, the Group achieved a revenue growth of 5.9% or \$2.4m, from \$41.6m in 1H2007 to \$44.0m in 1H2008.

PCB

Revenue derived from the distribution of PCB specialty chemicals and related materials dropped by 55.4% or \$1.1m from \$2.1m in 2Q2007 to \$922,000 in 2Q2008. Comparing 2Q2008 to 1Q2008, this business decreased by 28.4% or \$365,000 from \$1.3m to \$922,000. Comparing the first half year, this business achieved revenue of \$2.2m in 1H2008, compared to \$3.6m in 1H2007, a decrease of 37.9% or \$1.4m. The performance of the PCB distribution remains weak.

IT

The IT distribution business reported a decrease in revenue of 9.5% or \$2.1m, from \$21.8m in 2Q2007 to \$19.7m in 2Q2008, and 11.1% or \$2.5m, from \$22.1m in 1Q2008 to \$19.6m in 2Q2008. The decrease was mainly due to a single significant project which was substantially completed and billed in 2Q2007.

On a half yearly basis, the IT distribution business achieved a revenue growth of 10.0% or \$3.8m, from \$38.0m in 1H2007 to \$41.8m in 1H2008. 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.

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PROFIT BEFORE TAX (“PBT”)

The Group registered a loss of \$929,000 in 2Q2008 as compared to PBT of \$2.2m achieved in 2Q2007.

The decrease in PBT was due to the following:-

- (1) Gross profit margin decreased by 8.4 percentage points from 30.7% in 2Q2007 to 22.3% in 2Q2008 mainly due to decrease in the higher value manufacturing business in Singapore in 2Q2008, offset by the write back of provision for inventory impairment of \$181,000 in 2Q2008 as compared to provision for inventory impairment of \$474,000 in 2Q2007. The write back and provision for inventory impairment relates to the IT stock, in line with the Group’s inventory provision policy;
- (2) Provision for impairment of debts of \$3.0m in 2Q2008 as compared to \$490,000 in 2Q2007, due mainly to doubtful debts from two PCB customers in China;
- (3) An increase in depreciation of \$543,000 from \$2.5m in 2Q2007 to \$3.1m in 2Q2008 as the Group added net of disposal, 35 new drilling machines and 11 new laser drilling machines since 2Q2007; and
- (4) An increase in payroll-related expenses of \$530,000, from \$2.7m in 2Q2007 to \$3.2m in 2Q2008, due mainly to higher headcount from the expansion of the regional businesses;

The decrease in PBT was offset mainly by the following:

- (1) A foreign exchange gain of \$193,000 in 2Q2008 as compared to foreign exchange loss of \$1,000 in 2Q2007 mainly due to effect of the weaker US dollar on the Group, offset by the effect of the weaker Chinese renminbi vis-à-vis the Singapore dollar; and
- (2) A decrease in interest on borrowings from \$621,000 in 2Q2007 to \$134,000 in 2Q2008.

On a half yearly basis, the Group achieved a PBT of \$2.2m in 1H2008, compared to a PBT of \$4.9m in 1H2007 which was mainly due the reasons above.

Comparing 2Q2008 to 1Q2008, the Group registered a loss of \$928,000 in 2Q2008 against PBT of \$3.1m in 1Q2008. The loss was mainly due to provision for impairment of debts of \$3.0m in 2Q2008 as compared to \$509,000 in 1Q2008 and decrease in foreign exchange gain on borrowings from \$1.2m in 1Q2008 to \$193,000 in 2Q2008.

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PROFIT AFTER TAX (“PAT”)

The Group registered a loss of \$1.3m in 2Q2008 as compared to PAT of \$1.5m in 2Q2007. Comparing 1H2008 to 1H2007, PAT decreased by 62.5% or \$2.1m, from \$3.4m in 1H2007 to \$1.3m in 1H2008. On a sequential basis, Group PAT decreased from \$2.5m in 1Q2008 to a loss of \$1.3m in 2Q2008. 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 year period ended 30 June 2008:-

Cash and cash equivalents at the Group level increased from \$10.7m to \$26.3m. At the Company level, cash and cash equivalents increased from \$522,000 to \$13.1m. 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 \$36.1m which was in line with the decrease in revenue in 2Q2008 as compared to 4Q2007 and the provision for impairment of debts of \$3.5m in 1H2008. The decrease at the Company level from \$34.4m to \$25.8m was mainly due to repayment from the subsidiaries.

Inventories at the Group level increased from \$9.7m to \$13.7m mainly due to the increase in IT inventory resulting from arrival of stock from vendors towards the end of June 2008 for Singapore and regional M.Tech offices. At the Company level, inventories which comprised PCB specialty chemicals and related materials decreased from \$1.5m to \$867,000, in line with the decrease in revenue from the PCB distribution business.

Other current assets at the Group level increased from \$1.4m to \$1.6m 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 1H2008. 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 \$77.7m at the Group level mainly due to addition of 2 new laser machines for the China operations, offset by the sale of 26 unit of used CNC drilling machine to a third party and depreciation charged. The decrease at the Company level was mainly due to sales of machines to a third party and depreciation charged.

Trade and other payables increased from \$26.6m to \$30.3m at the Group level due mainly to the increase in payables to principals of the IT distribution business, resulting from the increase in purchases towards the end of the June 2008. The decrease in payables at Company level from \$9.3m to \$8.7m is in line with the decrease in business volume of the PCB distribution business.

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BALANCE SHEET REVIEW

Bills payable to banks decreased from \$22.9m to \$17.3m at both the Group and the Company level mainly due to repayment of bills payable of \$6.2m in 1H2008, offset by additional bills payable amounting to \$1.2m 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 a USD12.0m loan from a bank.

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CASH FLOW ANALYSIS

Net cash of \$14.4m was generated from operating activities in 1H2008, an increase of \$7.0m from \$7.4m in 1H2007. This was mainly due to the decrease in trade and other receivables from the lower revenue achieved and higher trade and other payables.

Net cash of \$2.9m was generated from investing activities in 1H2008 as compared to net cash used of \$6.6m 1H2007. The changes were mainly due to proceeds from disposal of property, plant and equipment of \$4.8m, net of the purchase of the 2 units of laser drilling machines.

Net cash of \$1.4m was used in financing activities in 1H2008 as compared to \$10.2m used in 1H2007. Cash of \$17.6m 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 \$6.2m, repayment of borrowings of \$9.4m and dividend payment to shareholders of \$3.0m.

Cash and cash equivalent stood at \$26.3m as at end of 30 June 2008, up from \$7.9m as at the end of 30 June 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

There was a slowdown in this business since 1Q2008 and there has been no sign of any pick up yet. The Group's manufacturing business in Singapore faced weak demand in the outsourced services and registered a decrease in revenue in this quarter by 21.5% and 43.7%, as compared to 1Q2008 and 2Q2007 respectively.

In contrast, the Group's manufacturing business in China registered an increase in revenue in this quarter by 10.7% and 18.0%, as compared to 1Q2008 and 2Q2007 respectively. This was mainly due to customers in the Kunshan area and the higher demands for laser drilling services.

In the US, the North American PCB industry book-to-bill ratio fell to 0.96 in May 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 mortgage crisis indicates that the demand from US consumers is expected to weaken for the months ahead which is expected to have a negative impact on our business.

The Group is currently the leading PCB drilling and routing service provider in terms of capacity and technology in Singapore and Eastern China. Its main manufacturing facilities in China are located in the Suzhou, Kunshan and Wuxi regions of the Jiangsu province. As the Group continues to serve the leading PCB manufacturers in Eastern China, it is well positioned to benefit from any additional capacity requirements of the PCB manufacturers based in those areas. China is now the Group's largest manufacturing base in terms of sales, capacity and customer base and accounted for 83% of the Group revenue in the manufacturing service division in 2Q2008.

As at 30 June 2008, the Group has 286 CNC drilling machines, 18 laser drilling machines and 60 routing machines. Included in the Group's machines currently are 131 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.

In the area of distribution of PCB-related products, the performance of the Group is tied to the orders from its existing customers in South East Asia. 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 if customers relocate from South East Asia to areas like China and Vietnam.

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IT

The IT business is facing challenges from the economic and political instability in the regional countries where the Group has presence in. In 2Q2008, revenue decreased by 9.5% and 10.8% as compared to 2Q2007 and 1Q2008 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 M.Tech Training Centre 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 June 2008, the Group's IT business has presence in 20 cities in 9 countries, with a presence extending into Taiwan and westward into India. New overseas offices are expected to make positive contribution to the Group's performance in FY2008. 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.

Reliance on IT has been growing and applications of IT are now not confined only to the business area. 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 and standards imposed by the corporations themselves. 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.

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. In Thailand, Vietnam and Malaysia, business is expected to be affected in the second half of the year as projects may be deferred or shelved. However, 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.

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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, Hong Kong dollars and India Rupee. The Group 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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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 2Q2008 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 June 08		As at 31 Dec 07	
Secured	Unsecured	Secured	Unsecured
231,000	29,697,000	231,000	35,611,000

Amount repayable after one year

As at 30 June 08		As at 31 Dec 07	
Secured	Unsecured	Secured	Unsecured
689,000	17,917,000	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 January 08 and 30 June 08	360,381	37,288	37,288
Balance at 1 January 07	356,981	36,559	36,559
Share issue pursuant to conversion of convertible notes	3,400	729	729
Balance at 30 June 07	360,381	37,288	37,288

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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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		6 months ended	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
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	(0.40) cents	0.38 cents	0.27 cents	0.86 cents
- Weighted average number of shares ('000)	360,381	360,381	360,381	359,498
(ii) On fully diluted basis	(0.40) cents	0.38 cents	0.27 cents	0.86 cents
- Adjusted weighted average number of shares ('000)	360,381	360,381	360,381	359,498

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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-Jun-08	31-Dec-07	30-Jun-08	31-Dec-07
Net asset value per share based on existing issued share capital as at the respective period	20.67 cents	21.17 cents	16.95 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.

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10. DIVIDEND

(a) Current Financial Period Reported On

No dividend has been declared/ recommended for 1H2008.

(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
24 July 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 2Q2008 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, 24 July 2008

Han Juat Hoon
Chief Operating Officer
Singapore, 24 July 2008