



The Interconnect Solutions Provider

MFS TECHNOLOGY LTD

Financial Statements for the 2Q FY 2007 ended 31 March 2007

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

These figures have not been audited.

	The Group			Group		
	3 months ended 31 March			6 months ended 31 March		
	2007	2006	%	2007	2006	%
	S\$'000	S\$'000	change	S\$'000	S\$'000	change
Sales	91,573	101,376	-10%	197,730	221,481	-10%
Cost of sales	(78,666)	(82,642)	-5%	(167,263)	(177,734)	-6%
Gross Profit	12,907	18,734	-31%	30,467	43,747	-28%
Other gains	1,715	1,152	49%	3,135	2,024	55%
Expenses						
- Distribution and marketing	(2,757)	(3,094)	-11%	(5,732)	(7,385)	-10%
- Administrative	(3,041)	(3,100)	-2%	(6,112)	(6,192)	-1%
- Other	(977)	(1,182)	-17%	(1,980)	(1,468)	35%
- Finance	62	(378)	-116%	(181)	(764)	-76%
Profit before income tax	7,909	12,132	-35%	19,597	29,962	-35%
Income tax expense	(894)	(903)	-1%	(2,576)	(2,941)	-12%
Total profit for the period	7,015	11,229	-38%	17,021	27,021	-37%
Attributable to:						
Equity holders of the Company	6,169	9,614	-36%	15,220	24,055	-37%
Minority interest	846	1,615	-48%	1,801	2,966	-39%
	7,015	11,229	-38%	17,021	27,021	-37%

Additional information for the income statement

	The Group		The Group	
	3 months ended 31 March		6 months ended 31 March	
	2007	2006	2007	2006
	S\$'000	S\$'000	S\$'000	S\$'000
Interest income	364	125	734	281
Sale of scrap/gold reclaims	1,019	879	1,833	1,523
Interest on borrowings	62	(378)	(181)	(764)
Depreciation and amortisation	(2,581)	(2,692)	(5,166)	(5,418)
(Allowance)/Write back of allowance for doubtful debts, net	(410)	715	(401)	(176)
(Allowance)/Write back of allowance for stock obsolescence, net	(414)	722	(925)	428
Stocks write-down/write-off	(213)	(1,089)	(358)	(1,270)
Foreign exchange loss	(1,071)	(2,039)	(2,642)	(2,514)
Adjustment for (under)/overprovision of tax in respect of prior years	(193)	297	(193)	297
Professional fees incurred for proposed merger transaction	(723)	(745)	(1,172)	(745)
Profit/(loss) on sale of property, plant and equipment	-	14	-	(6)

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	The Group		The Company	
	As at 31/03/2007 S\$'000	As at 30/09/2006 S\$'000	As at 31/03/2007 S\$'000	As at 30/09/2006 S\$'000
Current assets				
Cash and cash equivalents	66,725	71,149	2,697	3,464
Derivative financial instruments	-	6	-	-
Trade and other receivables	79,005	86,082	27,829	30,017
Inventories	51,158	40,093	-	-
Tax recoverable	916	541	135	177
Other current assets	5,060	2,809	434	20
	202,864	200,680	31,095	33,678
Non-current assets				
Investment in subsidiaries	-	-	39,192	39,065
Available for sale financial assets	4,402	4,403	-	-
Property, plant & equipment	74,287	78,873	7	6
	78,689	83,276	39,199	39,071
Total assets	281,553	283,956	70,294	72,749
Current liabilities				
Trade and other payables	76,354	83,772	639	1,445
Current income tax liabilities	2,540	2,803	-	-
Borrowings	-	7,918	-	-
Provision for warranty	424	815	-	-
	79,318	95,308	639	1,445
Non-current liabilities				
Borrowings	-	3,009	-	-
Deferred income tax liabilities	3,052	3,157	-	-
	3,052	6,166	-	-
Total liabilities	82,370	101,474	639	1,445
	199,183	182,482	69,655	71,304
Share capital and reserves				
Share capital	69,951	69,891	69,951	69,891
Foreign currency translation reserve	(3,183)	(3,048)	-	-
Other reserves	2,609	2,480	1,196	1,066
Retained earnings	110,206	94,986	(1,492)	347
Interest of shareholders of the Company	179,583	164,309	69,655	71,304
Minority interest	19,600	18,173	-	-
Total Equity	199,183	182,482	69,655	71,304

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

	As at 31/03/2007		As at 30/09/2006	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	-	-	-	7,918
Amount repayable after one year	-	-	-	3,009

1(b)(iii) Details of any collateral

Not applicable

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

Consolidated Cash Flow Statements

	3 months ended 31 March		6 months ended 31 March	
	2007 S\$'000	2006 S\$'000	2007 S\$'000	2006 S\$'000
Cash flows from operating activities				
Total profit	7,015	11,229	17,021	27,021
Adjustments for: -				
- Tax	894	903	2,576	2,941
- Depreciation	2,581	2,692	5,166	5,418
- Interest income	(364)	(125)	(734)	(281)
- Interest expense	(62)	378	181	764
- (Gain)/loss on sale of property, plant and equipment	-	(14)	-	6
- Share-based payment expenses	70	189	141	435
- Foreign exchange adjustment	497	755	1,377	1,056
Operating cash flow before working capital changes	10,631	16,007	25,728	37,360
Changes in operating assets and liabilities				
- Trade and other receivables	20,931	37,137	6,834	11,855
- Inventories	(2,911)	4,022	(11,018)	(12,300)
- Other current assets	(288)	416	299	275
- Trade and other payables	(19,065)	(35,706)	(6,988)	(17,285)
- Provision for warranty	(250)	811	(391)	1,576
Cash generated from operations	9,048	22,687	14,464	21,481
Income tax paid	(2,796)	(2,669)	(3,332)	(3,730)
Net cash provided by operating activities	6,252	20,018	11,132	17,751
Cash flow from investing activities				
Proceeds from the disposal of property, plant and equipment	-	14	-	19
Purchase of property, plant and equipment	(2,865)	(1,942)	(3,797)	(3,251)
Interest received	364	125	734	281
Net cash used in investing activities	(2,501)	(1,803)	(3,063)	(2,951)
Cash flow from financing activities				
Proceed from issuance of ordinary shares	-	535	49	548
Repayment of bank borrowings	(10,811)	-	(10,811)	(1,652)
Interest paid	(111)	(378)	(354)	(764)
Dividend paid	-	(26,161)	-	(26,161)
Net cash used in financing activities	(10,922)	(26,004)	(11,116)	(28,029)
Net decrease in cash and cash equivalents	(7,171)	(7,789)	(3,047)	(13,229)
Cash and cash equivalents at beginning of the financial period	74,393	66,144	71,149	71,885
Effects of exchange rate changes on cash and cash equivalents	(497)	(755)	(1,377)	(1,056)
Cash and cash equivalents at end of period	66,725	57,600	66,725	57,600

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Statement of Changes in Equity for the three-month period ended 31 March 2007

The Group	Attributable to equity holders of the Company					Total Equity S\$'000
	Share Capital S\$'000	Foreign Currency Translation Reserve S\$'000	Revaluation and Other Reserves * S\$'000	Retained Earnings S\$'000	Minority Interest S\$'000	
2007						
Balance at 1 January 2007	69,951	(3,158)	1,593	104,037	18,876	191,299
Fair value gains on available-for-sale financial assets	-	-	946	-	-	946
Currency translation difference	-	(25)	-	-	(122)	(147)
Net (losses)/gains recognised directly in equity	-	(25)	946	-	(122)	799
Net profit	-	-	-	6,169	846	7,015
Total recognised (losses)/gains for the period	-	(25)	946	6,169	724	7,814
Employee share option scheme:						
- Value of employee services	-	-	70	-	-	70
- Proceeds from shares issued	-	-	-	-	-	-
Balance at 31 March 2007	69,951	(3,183)	2,609	110,206	19,600	199,183
2006						
Balance at 1 January 2006	66,048	(1,509)	3,746	106,309	16,372	190,966
Fair value gains on available-for-sale financial assets	-	-	917	-	-	917
Currency translation differences	-	(940)	-	-	(406)	(1,346)
Net (losses)/gains recognised directly in equity	-	(940)	917	-	(406)	(429)
Net profit	-	-	-	9,614	1,615	11,229
Total recognised (losses)/gains for the period	-	(940)	917	9,614	1,209	10,800
Employee share option scheme:						
- Value of employee services	-	-	189	-	-	189
- Proceeds from shares issued	535	-	-	-	-	535
Dividend relating to FY2005 paid	-	-	-	(26,161)	-	(26,161)
Balance at 31 March 2006	66,583	(2,449)	4,852	89,762	17,581	176,329

Note: * Include available for sale reserve and share options expense reserve

Statement of Changes in Equity for the three-month period ended 31 March 2007

	Share Capital	Other Reserves	Retained Earnings	Total
The Company	S\$'000	S\$'000	S\$'000	S\$'000
2007				
Balance at 1 January 2007	69,951	1,126	(375)	70,702
Net losses	-	-	(1,117)	(1,117)
Total recognised losses for the period	-	-	(1,117)	(1,117)
Employee share option scheme:				
- Value of employee services	-	70	-	70
- Proceeds from shares issued	-	-	-	-
Balance at 31 March 2007	69,951	1,196	(1,492)	69,655
2006				
Balance at 1 January 2006	66,048	1,268	29,068	96,384
Net gains	-	-	(240)	(240)
Total recognised losses for the period	-	-	(240)	(240)
Employee share option scheme:				
- Value of employee services	-	189	-	189
- Proceeds from shares issued	535	-	-	535
Dividend relating to FY2005 paid	-	-	(26,161)	(26,161)
Balance at 31 March 2006	66,583	1,457	2,667	70,707

Consolidated Statement of Changes in Equity for the six-month period ended 31 March 2007

The Group	Attributable to equity holders of the Company					
	Share Capital S\$'000	Foreign Currency Translation Reserve S\$'000	Revaluation and Other Reserves * S\$'000	Retained Earnings S\$'000	Minority Interest S\$'000	Total Equity S\$'000
2007						
Balance at 1 October 2006	69,891	(3,048)	2,480	94,986	18,173	182,482
Fair value loss on available-for-sale financial assets	-	-	(1)	-	-	(1)
Currency translation difference	-	(135)	-	-	(374)	(509)
Net (losses)/gains recognised directly in equity	-	(135)	(1)	-	(374)	(510)
Net profit	-	-	-	15,220	1,801	17,021
Total recognised (losses)/gains for the period	-	(135)	(1)	15,220	1,427	16,511
Employee share option scheme:						
- Value of employee services	11	-	130	-	-	141
- Proceeds from shares issued	49	-	-	-	-	49
Balance at 31 March 2007	69,951	(3,183)	2,609	110,206	19,600	199,183
2006						
Balance at 1 October 2005	66,035	(935)	3,178	91,868	15,160	175,306
Fair value gains on available-for-sale financial assets	-	-	1,239	-	-	1,239
Currency translation differences	-	(1,514)	-	-	(545)	(2,059)
Net (losses)/gains recognised directly in equity	-	(1,514)	1,239	-	(545)	(820)
Net profit	-	-	-	24,055	2,966	27,021
Total recognised (losses)/gains for the period	-	(1,514)	1,239	24,055	2,421	26,201
Employee share option scheme:						
- Value of employee services	-	-	435	-	-	435
- Proceeds from shares issued	548	-	-	-	-	548
Dividend relating to FY2005 paid	-	-	-	(26,161)	-	(26,161)
Balance at 31 March 2006	66,583	(2,449)	4,852	89,762	17,581	176,329

Statement of Changes in Equity for the six-month period ended 31 March 2007

The Company	Share Capital S\$'000	Other Reserves S\$'000	Retained Earnings S\$'000	Total S\$'000
2007				
Balance at 1 October 2006	69,891	1,066	347	71,304
Net losses	-	-	(1,839)	(1,839)
Total recognised losses for the period	-	-	(1,839)	(1,839)
Employee share option scheme:				
- Value of employee services	11	130	-	141
- Proceeds from shares issued	49	-	-	49
Balance at 31 March 2007	69,951	1,196	(1,492)	69,655
2006				
Balance at 1 October 2005	66,035	1,022	2,615	69,672
Net gains	-	-	26,213	26,213
Total recognised gains the period	-	-	26,213	26,213
Employee share option scheme:				
- Value of employee services	-	435	-	435
- Proceeds from shares issued	548	-	-	548
Dividend relating to FY2005 paid	-	-	(26,161)	(26,161)
Balance at 31 March 2006	66,583	1,457	2,667	70,707

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Since 30 September 2006, the Company issued 24,000 and 52,000 ordinary shares of \$0.10 each at the price of S\$0.76 and \$0.585 respectively upon the exercise of options granted under the MFS Share Options Scheme.

As at 31 March 2007, options to subscribe for 6,312,750 ordinary shares under the MFS Share Option Scheme remain outstanding against 6,388,750 at 30 September 2006.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard

The financial information relating to the three-month period ended 31 March 2007 as set out in paragraphs 1, 5, 6, 7 and 12 of this announcement have been extracted from the interim financial report that have been reviewed in accordance with SSRE2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

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

The following is the auditor's review report dated 7 May 2007 on the interim financial report of the Company and its subsidiaries for the three-month period ended 31 March 2007:

Introduction

We have reviewed the accompanying condensed balance sheet of the Company and the condensed consolidated balance sheet of the Group as of 31 March 2007, and the related condensed consolidated statement of income of the Group, statements of changes in equity of the Company and the Group, and statement of cash flows of the Group for the three-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Singapore Financial Reporting Standard 34 ("FRS 34"), 'Interim financial reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with FRS 34.

The interim financial report of the Company and its subsidiaries for the period ended 31 March 2007 is available on request from the Company and at the following website:
<http://www.mfstech.com.sg>.

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

The accounting policies and methods of computation applied by the Group are consistent with those used in its recently audited financial statements, except for changes made to comply with the following Singapore Financial Reporting Standards (FRS) that became effective in this financial year:

- FRS 1 (amendment) – Presentation of Financial Statements
- FRS 16 (amendment) – Property, Plant and Equipment
- FRS 19 (amendment) – Employee Benefits
- FRS 21 (amendment) – The Effects of Changes in Foreign Exchange Rates
- FRS 24 (amendment) – Related Party Disclosures
- FRS 32 (amendment) – Financial Instruments: Disclosures and Presentation
- FRS 37 (amendment) – Provisions, Contingent Liabilities and Contingent Assets
- FRS 39 (amendment) – Financial Instruments: Recognition and Measurement
- INT FRS 104 – Determining Whether an Arrangement Contains a Lease
- INT FRS 108 – Scope of FRS 102
- INT FRS 109 – Reassessment of Embedded Derivatives

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The adoption of the above FRS did not result in changes to the Group's accounting policies.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	The Group			
	3 months ended 31 March 2007	31 March 2006	6 Months ended 31 March 2007	31 March 2006
Earnings per ordinary share for the period based on profit attributable to shareholders:-				
(i) Based on weighted average no. of ordinary shares in issue (in cents)	0.94	1.47	2.31	3.68
(ii) On a fully diluted basis (in cents)	0.93	1.46	2.30	3.67

Note: For the purpose of calculating the diluted earnings per share, the weighted average number of ordinary shares in issue had been adjusted to reflect the dilutive effect arising from the exercise of all outstanding share options granted to employees. The number of such shares issue is added to the number of ordinary shares outstanding in the computation of diluted earnings per ordinary share. No adjustment is made to the profit after tax attributed to shareholders.

7. **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 period reported on and (b) immediately preceding financial year**

	The Group		The Company	
	As at 31/03/2007	As at 30/09/2006	As at 31/03/2007	As at 30/09/2006
Net asset value per ordinary share based on existing issued share capital at the end of the period reported on (in cents):	27.3	24.9	10.6	10.8

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

The Group's sales for the 2Q FY2007 ended 31 March 2007 declined 9.7% to \$91.6 million as compared to \$101.4 million in the previous corresponding period. The FPC division contributed 86% of the turnover with the balance from the PCB division. The sequential slow down in 2Q FY2007 was due to seasonality factor coupled with fewer program launches. The net decline of sales was due to weaker demands from the personal communications and wireless portables and data storage segments. Volume rebate of \$0.9 million given to a key customer also resulted in lower current quarter's sales. Moreover, the continuing weakening of the USD had a negative impact on the USD sales.

The PCB division continued to achieve sales growth. It achieved sales of \$12.8 million in 2Q FY2007 as compared to \$11.6 million in the previous corresponding quarter as the group continued to leverage on its niche in high layer count and thick copper PCB for application in the power supply industry.

Cost of sales increased in 2Q FY2007 compared to 2Q FY2006 primarily because of lower absorption of fixed overheads and other operating costs. Equally, a lower manufacturing yield and volume rebate given to a key customer resulted in the decline of the Group's gross margin from 18.5% in 2Q FY2006 to 14.1% in 2Q FY2007.

The Group's distribution expenses decreased from \$3.1 million in 2Q FY2006 to \$2.8 million in 2Q FY2007 due to lower warranty provision and forex losses offset by higher doubtful debts provision. The Group's other operating expenses in 2Q FY2007 also decreased by \$0.2 million because of lower expensing of share options. The Group continued to incur professional fees amounting to \$0.7 million in 2Q FY2007. Other operating income in 2Q FY2007 increased by \$0.6 million compared to 2Q FY2006 mainly from higher rework expenses charged back to suppliers as well as higher interest income from bank deposits. The \$0.06 million positive balance in Finance cost for 2Q FY2007 was due to a write back of over accrued interest expense after the early loan repayment US\$3.9 million to China Construction Bank.

The overall effective tax rate increased to 11.3% in 2Q FY2007 from 7.4% in 2Q FY2006. The lower tax rate in 2Q FY2006 was as the result of tax overprovision written back after finalization by IRAS coupled with higher tax-free benefits generated from the China FPC facility during the quarter.

The Group achieved a profit after tax attributable to shareholders of \$6.2 million for 2Q FY2007 compared to \$9.6 million in the previous corresponding quarter.

The Group continued to generate positive cash flow in 2Q FY2007. Net cash provided from operating activities for the current quarter was \$6.1 million. Capital expenditure of \$2.8 million during 2Q FY2007 was mainly for technology upgrade. Net cash used in financing activities was \$10.7 million during 2Q FY2007. This was mainly for the repayment of all outstanding loans from China Construction Bank. After the loan repayment, the Group's cash balance was \$66.7 million as at 31 March 2007.

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

In the SGXNET prospect statement released for 1Q FY2007 ended 31 December 2006, the Directors made a statement that they were mindful of the competitive environment in the global FPC market.

The Group's performance for the 2Q FY2007 was in line with the above guidance, consistent with weaker performance announced by some of our major customers for the same quarter.

10. 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 12 months

Business environment in which the Group operates continues to remain competitive. Our backlog orders as at 31 March 2007 were approximately \$136 million due to reduced bookings by a major customer. However, some of these orders are spread over a period of up to twelve months.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend is declared for 2nd quarter ended 31 March 2007.

13. The aggregate value of interested person transactions conducted pursuant to the general mandate in 2Q FY2007 are as follows:-

Nature and name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Sales to Wearnes Precision (Private) Limited	Nil	-
Purchases from Multi-Fineline Electronix Inc	Nil	-
Interest charged by Wearnes Technology (Private) Limited	Nil	49,508
Subcontract services rendered by Wearnes Electronics (M) Sdn Bhd	Nil	2,430,299

BY ORDER OF THE BOARD

Submitted by Peter Tan, Company Secretary on 07/05/2007 to the SGX



The Interconnect Solutions Provider

CONFIRMATION BY THE BOARD
Pursuant to Rule 705(4) of the Listing Manual

We, Reggie Thein and Pang Tak Lim, being two directors of MFS Technology Ltd ("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 financial results for the second quarter ended 31 March 2007 to be false or misleading.

On behalf of the Directors



Reggie Thein
Chairman of Audit Committee



Pang Tak Lim
Director

Singapore
7 May 2007