Multi-Chem Limited
(Incorporated in Singapore. Registration Number: 198500318Z)

Full Year Financial Statement and Dividend Announcement

For The Financial Period Ended 31 December 2007

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Registration No. 198500318Z

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CONSOLIDATED INCOME STATEMENT

Group	3 months ended			12 months ended		
	31/12/2007	31/12/2006	Change	31/12/2007	31/12/2006	Change
	$'000	$'000	%	$'000	$'000	%
Revenue	38,172	26,899	42	140,779	97,418	45
Cost of sales	(27,513)	(18,902)	46	(103,808)	(66,380)	56
Gross profit	10,659	7,997	33	36,971	31,038	19
Other gains – net	836	654	28	698	1,877	(63)
Expenses						
- Distribution costs	(268)	(1,232)	(78)	(2,802)	(3,195)	(12)
- Administrative expenses	(4,076)	(3,413)	19	(15,376)	(11,998)	28
Finance income - (net)	817	391	109	524	51	927
Share of profit/(loss) of associated company	8	(84)	(110)	(117)	(119)	(2)
Profit before income tax	7,976	4,313	85	19,898	17,654	13
Income tax expense	(1,081)	(1,018)	6	(3,714)	(2,960)	25
Net profit	6,895	3,295	109	16,184	14,694	10
Attributable to:						
Equity holders of the Company	6,471	3,199	102	15,412	14,334	8
Minority interests	424	96	342	772	360	114
	6,895	3,295	109	16,184	14,694	10
Earnings per share attributable to the equity holders of the Company during the period (expressed in cents per share)						
Basic	1.80 cents	0.90 cents		4.28 cents	4.02 cents	
Diluted	1.80 cents	0.89 cents		4.28 cents	3.87 cents	

CONSOLIDATED INCOME STATEMENT

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

Group	3 months ended			12 months ended		
	31/12/2007	**31/12/2006**	**Change**	**31/12/2007**	**31/12/2006**	**Change**
	$'000	**$'000**	**%**	**$'000**	**$'000**	**%**
Other income - net	171	156	10	449	379	18
Interest income	22	136	(84)	163	370	(56)
Interest on borrowings	(319)	(275)	16	(1,555)	(686)	127
Foreign exchange gain - borrowings	1,136	666	71	2,079	737	182
Finance income - net	**817**	**391**	**109**	**524**	**51**	**927**
Depreciation	(4,505)	(2,636)	71	(12,282)	(8,813)	39
Provision for impairment of debts - net	(116)	(140)	(17)	(79)	(158)	(50)
Bad debts recovered/(written off) - net	44	53	(17)	70	(53)	232
Provision for inventory impairment - net	(83)	(260)	(68)	(1,099)	(654)	68
Foreign exchange (loss)/gain - others	(164)	84	(295)	(840)	419	(300)
Gain on disposal of property, plant and equipment	807	278	190	926	715	30
Gain on dilution of interest in a subsidiary	-	-	Nm	-	10	Nm
Impairment on goodwill	-	-	Nm	-	(16)	Nm

Nm : Not meaningful

BALANCE SHEET

$'000	Group		Company	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Current assets				
Cash and cash equivalents	10,676	17,232	522	10,235
Trade and other receivables	46,338	31,139	34,391	18,295
Inventories	9,664	7,312	1,503	1,136
Other current assets	1,383	677	609	250
	68,061	56,360	37,025	29,916
Non-current assets				
Other non-current assets	128	127	-	-
Investment in an associated company	1,618	1,735	1,050	1,050
Investments in subsidiaries	-	-	64,045	45,595
Property, plant and equipment	85,639	65,982	14,601	19,711
Deferred income tax assets	16	21	-	-
	87,401	67,865	79,696	66,356
Total assets	**155,462**	**124,225**	**116,721**	**96,272**
Current liabilities				
Trade and other payables	26,629	16,459	9,326	5,025
Current income tax liabilities	1,910	2,390	609	1,282
Bills payable to banks	22,925	14,438	22,925	14,438
Borrowings	12,888	10,625	11,888	9,853
	64,352	43,912	44,748	30,598
Non-Current liabilities				
Borrowings	11,891	18,495	11,891	18,495
Deferred tax liabilities	665	502	527	502
	12,556	18,997	12,418	18,997
Total liabilities	**76,908**	**62,909**	**57,166**	**49,595**
NET ASSETS	**78,554**	**61,316**	**59,555**	**46,677**
Share capital and reserves				
Share capital and share premium	37,288	36,559	37,288	36,559
Other reserves	(1,461)	(1,534)	-	221
Retained earnings	40,465	24,881	22,267	9,897
	76,292	59,906	59,555	46,677
Minority interests	2,262	1,410	-	-
Total equity	**78,554**	**61,316**	**59,555**	**46,677**

CONSOLIDATED CASHFLOW STATEMENT

S$'000	3 months ended		12 months ended	
	31/12/2007	**31/12/2006**	**31/12/2007**	**31/12/2006**
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit	6,895	3,295	16,184	14,694
Adjustments for:				
- Income tax	1,081	1,018	3,714	2,960
- Depreciation	4,505	2,636	12,282	8,813
- Finance income – net	(817)	(391)	(524)	(51)
- Interest income	(22)	(136)	(163)	(370)
- Gain on disposal of property, plant and equipment	(807)	(278)	(926)	(715)
- Gain on dilution of interest in a subsidiary	-	-	-	(10)
- Impairment on goodwill	-	-	-	16
- Share of (profit)/loss from an associated company	(8)	84	117	119
- Unrealised currency exchange losses – net	164	402	840	298
Operating cashflow before working capital changes	10,991	6,630	31,524	25,754
Change in operating assets and liabilities, net of effects from purchase and disposal of subsidiaries				
- Inventories	76	713	(2,352)	(3,179)
- Trade and other receivables	(5,317)	(2,683)	(15,199)	(6,450)
- Other assets	(69)	276	(706)	(31)
- Trade and other creditors and accruals	1,138	1,014	10,170	4,589
	(4,172)	(680)	(8,087)	(5,071)
Cash generated from operating activities	6,819	5,950	23,437	20,683
Interest received	(115)	136	163	370
Income tax paid	(892)	(465)	(4,022)	(2,278)
Net cash inflow from operating activities	5,812	5,621	19,578	18,775

CONSOLIDATED CASHFLOW STATEMENT

S$'000	3 months ended		12 months ended	
	31/12/2007	**31/12/2006**	**31/12/2007**	**31/12/2006**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(5,450)	(7,858)	(35,541)	(29,789)
Dividends from an associated company	-	-	-	230
Proceeds from disposals of property, plant and equipment	3,740	1,256	4,397	2,547
Net cash outflow from investing activities	(1,710)	(6,602)	(31,144)	(27,012)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of leases liabilities	(57)	(36)	(221)	(210)
Proceeds from borrowings	-	9,240	2,656	25,334
Proceeds from bills payable	4,408	6,001	29,559	24,787
Repayments of borrowings	(1,475)	(1,281)	(6,172)	(1,956)
Repayments of bills payable	(5,118)	(9,730)	(19,200)	(19,371)
Interest paid	(319)	(264)	(1,273)	(636)
Dividends paid to equity holders of the company	-	-	-	(7,994)
Dividends paid to minority interests	-	-	-	(530)
Proceeds from issuance of ordinary shares to minority shareholder of a subsidiary	80	-	80	850
Net cash (outflow)/inflow from financing activities	(2,481)	3,930	5,429	20,274
Net increase/(decrease) in cash and cash equivalents	1,621	2,949	(6,137)	12,037
Cash and cash equivalents at beginning of the period	9,291	14,342	17,232	5,446
Effects of exchange rate changes on cash and cash equivalents	(236)	(59)	(419)	(251)
Cash and cash equivalents at end of the period	10,676	17,232	10,676	17,232

STATEMENTS OF CHANGES IN EQUITY

Group ($'000)	Attributable to equity holders of the Company					
	Share capital	**Other reserves**	**Retained earnings**	**Total**	**Minority interests**	**Total equity**
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	-	294	-	294	-	294
Net profit for the year	-	-	15,412	15,412	772	16,184
Total recognised gains for the year	**-**	**294**	**15,412**	**15,706**	**772**	**16,478**
Issue of shares pursuant to conversion of convertible notes	729	(49)	-	680	-	680
Issue of shares to minority shareholder	-	-	-	-	80	80
Redemption of convertible notes	-	(172)	172	-	-	-
Balance at 31 December 07	**37,288**	**(1,461)**	**40,465**	**76,292**	**2,262**	**78,554**
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	826	(826)	-	-	-	-
Conversion of convertible notes	129	(9)	-	120	-	120
Transfer from other reserves to retained Earnings upon expiry of unexercised warrants	-	(55)	55	-	-	-
Dividend paid	-	-	(7,994)	(7,994)	(530)	(8.524)
Issue of shares by a subsidiary to minority interests	-	-	-	-	850	850
Dilution of minority interests' equity interest in subsidiaries	-	-	-	-	7	7
Balance at 31 December 06	**36,559**	**(1,534)**	**24,881**	**59,906**	**1,410**	**61,316**

STATEMENTS OF CHANGES IN EQUITY

Company

	Share capital	Other reserves	Retained earnings	Total equity
	$'000	$'000	$'000	$'000
Balance at 1 January 07	36,559	221	9,897	46,677
Net profit for the year	-	-	12,198	12,198
Issue of shares pursuant to conversion of convertible notes	729	(49)	-	680
Balance at 31 December 2007	**37,288**	**172**	**22,095**	**59,555**
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
Transfer from other reserves to retained earnings upon expiry of unexercised warrants	(55)	-	55	-
Dividend relating to 2006 paid	-	-	(2,994)	(2,994)
Dividend relating to 2005 paid	-	-	(5,000)	(5,000)
Balance at 31 December 2006	**36,559**	**221**	**9,897**	**46,677**

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 grew at a robust rate of 44.5% for the year ended 31 December 2007 ("FY2007"). This was an increase of $43.3m as revenue exceeded the $100m mark and hit $140.8m in FY2007, from $97.4m for the year ended 31 December 2006 ("FY2006"). Revenue for the three months ended 31 December 2007 ("4Q2007") of $38.2m also show a strong increase by 41.9% or $11.3m over revenue of $26.9m achieved for the three months ended 31 December 2006 ("4Q2006"). The overall improvement in revenue performance was mainly due to the growth in the Group's manufacturing service business in China and the IT distribution business.

Comparing to 3Q2007, the Group experienced a slow down in both the manufacturing business and the IT distribution business in 4Q2007. Despite the growth in the distribution of PCB-related materials in 4Q2007, revenue decreased marginally by 1.9% or $750,000 from $38.9m for the three months ended 30 September 2007 ("3Q2007") to $38.2m in 4Q2007.

In FY2007, the manufacturing service business accounted for about 40% of Group revenue, while the distribution business, comprising the distribution of PCB-related materials and IT distribution, accounted for the remaining 60%.

REVENUE

Manufacturing Service Division

Revenue in this Division grew by 17.7% or $8.4m, from $47.4m in FY2006 to $55.7m in FY2007. The year-on-year revenue growth was achieved due to the strong demand for both mechanical and laser drilling services in China and the Group having the additional capacity to meet this demand. Mechanical and laser drilling service revenue alone grew by $7.7m and accounted for nearly 92% of the revenue increase in this Division.

The strong growth for drilling services in China was mainly due to the pick up in demand for our services, a more diverse customer base in China, an increase in the Group's mechanical drilling capacity from an average of 132 mechanical drilling machines in FY2006 to 207 in FY2007 as well as higher efficiency from more advanced machines. Mechanical drilling made up approximately 85% of the business in this Division.

The growth in the electronic sector also resulted in increase in demand for routing service. With an increase of the Group's routing capacity from an average of 45 routing machines in FY2006 to 60 routing machines in FY2007, the Group's routing business increased by 21.7% or $861,000 from $4.0m to $4.8m. The growth in the Group's China manufacturing service business was not matched by its Singapore operations, which recorded a decrease in the revenue by 22.3% or $ 4.1m from $18.4m in FY2006 to $14.3m in FY2007.

In 4Q2007, performance of the manufacturing service business in Singapore weakened by 25.3% and 5.9% as compared to 4Q2006 and 3Q2007 respectively, mainly due to the lower demand for outsourced mechanical drilling services.

Despite the slow down in Singapore, this Division recorded revenue of $16.7m in 4Q2007, an increase of 27.1% or $3.6m from $13.1m in 4Q2006 due to the strong demand in both the mechanical and laser drilling business in China. Compared to 3Q2007, total manufacturing service revenue decreased marginally by 1.5% or $253,000 in 4Q2007, from $16.9m to $16.7m, as demand slowed down during the month of December 2007.

REVENUE

Distribution Division

The Group achieved a revenue growth of 69.9% or $35.0m, from $50.1m in FY2006 to $85.1m in FY2007 for the Distribution Division. On a quarterly basis, the Group achieved a revenue growth of 56.0% or $7.7m, from $13.8m in 4Q2006 to $21.5m in 4Q2007. The growth in this division was achieved mainly due to the strong IT business.

Comparing 4Q2007 to 3Q2007, revenue decreased marginally by 2.3% or $497,000 from $22.0m to $21.5m as the pick up in the distribution of PCB specialty chemicals and related products business did not fully offset the decrease in revenue from the IT business in 4Q2007.

PCB
Revenue derived from the distribution of PCB specialty chemicals and related materials dropped by 10.8% from $7.8m in FY2006 to $6.9m in FY2007 mainly due to a weaker first half. The business picked up in 4Q2007 and compared to 4Q2006, this business achieved revenue of $1.9m, an increase of 20.9% or $329,000 from $1.6m in 4Q2006. Comparing 4Q2007 to 3Q2007, revenue increased by 29.6% or $434,000 from $1.5m to $1.9m. The performance of the PCB distribution business was pressured by continuing price reduction from customers since 2006 and weaker margin from rising material costs in a product line. The better performance in 4Q2007 from the increase in sales for one of the product line did not fully offset the decrease in the previous quarters.

IT
The IT distribution business reported a significant increase in revenue of 84.7% or $35.8m, from $42.3m in FY2006 to $78.1m in FY2007. Comparing 4Q2007 to 4Q2006, revenue grew by 60.5% or $7.4m from $12.2m to $19.6m. The growth in this business was largely due to the addition of several products and the expansion of the regional businesses. 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 FY2007, the regional subsidiaries of the Company are as a whole becoming more significant through expansion. In FY2007, revenue from regional markets increased by 107% or $28.5m, from $26.0m in FY2006 to $54.5m in FY2007.

PROFIT BEFORE TAX ("PBT")

The Group achieved a PBT of $19.9m in FY2007, an increase of 12.7% or $2.2m over the PBT of $17.7m achieved in FY2006, largely in line with the higher revenue and gross profit. The increase was also due to an increase in gain on disposal of fixed assets from $715,000 in FY2006 to $926,000 in FY2007 from the sales of 19 mechanical drilling machines to external parties.

Gross profit margin decreased by 6 percentage points from the average of 32% in FY2006 to 26% in FY2007 mainly due to increase in depreciation charged on the additional 95 new machines purchased during the year, a decrease in the higher value Singapore manufacturing business and lower margin IT projects won in China.

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

(1) An increase in payroll-related expenses of $2.4m from $8.4m in FY2006 to $10.8m in FY2007 due mainly to higher headcount from the expansion of the regional businesses and provision for directors' share of profits, as provided for in their respective service agreements;

(2) An increase in interest in borrowings from $686,000 for loan drawn down in FY2006 to $1.6m in FY2007; and

(3) An increase in provision for inventory impairment from $654,000 in FY2006 to $1.1m in FY2007. The provision for inventory impairment relates to the IT stock, in line with the Group's inventory provision policy.

On a quarterly basis, Group PBT increased by 84.9% or $3.7m, from $4.3m in 4Q2006 to $8.0m in 4Q2007 due to the strong 4Q2007 revenues in both the China manufacturing service business and in the IT business. Comparing 4Q2007 to 3Q2007, Group PBT increased by 14.1% or $984,000, from $7.0m to $8.0m.

PROFIT AFTER TAX ("PAT")

Group PAT increased by 10.1% or $1.5m, from $14.7m in FY2006 to $16.2m in FY2007. Comparing 4Q2007 to 4Q2006, PAT increased by 109.3% or $3.6m, from $3.3m to $6.9m. On a sequential basis, Group PAT increased by $987,000 from $5.9m in 3Q2007 to $6.9m in 4Q2007. These were largely in line with the changes in Group PBT.

Provision for tax comprised mainly income tax and deferred tax of the Company and its subsidiaries. Multi-Chem Laser Technology (Suzhou) Co., Ltd, Multi-Chem Electronics (Kunshan) Co., Ltd and Multi-Chem PCB (Kunshan) Co., Ltd currently enjoy tax-free status on profits while Multi-Chem Electronics (Wuxi) Co., Ltd enjoys 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 year period ended 31 December 2007.

Cash and cash equivalents at the Group level decreased from $17.2m to $10.7m. At the Company level, cash and cash equivalents decreased from $10.2m to $522,000. The decreases at both the Group and Company level were mainly due to purchase of plant and equipment and income tax payment from higher profitability.

Trade and other receivables of the Group increased from $31.1m to $46.0m. The increase is in line with the increase in revenue in 4Q2007 as compared to 4Q2006. At the Company level, trade and other receivables increased from $18.3m to $34.4m mainly due to the sales of machinery to China subsidiaries for the expansion in China.

Inventories at the Group level increased from $7.3m to $9.7m 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 slow moving inventory of $1.1m. At the Company level, inventories which comprised mainly of PCB specialty chemicals and related materials increased from $1.1m to $1.5m which is in line with the increase in the PCB distribution business towards the end of the year.

Other current assets at the Group level increased from $677,000 to $1.4m. At the Company level, it increased from $250,000 to $609,000. The increase was mainly due to prepayment made for professional services rendered and for the supply of generator to the Group's China plant.

Investment in an associated company decreased from $1.7m to $1.6m mainly due to the share of loss for the year. 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 $66.0m to $85.6 m at the Group level. At the Company level, it decreased from $19.7m to $14.6m. The changes are mainly due to the addition of 95 units of new CNC drilling machines, 10 new routing machines and 10 new laser drilling machine for the China operations, offset by the sale of 19 units of used CNC drilling machines in Singapore and China to third parties and the depreciation charged.

Trade and other payables increased marginally from $5.0m to $9.3m at the Company level and increased from $16.5m to $26.6m at the Group level. The increase was arising from the provision for directors' share of profits, 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 $14.4m to $22.9m at both the Group and the Company level. The increase is mainly due to additional bills payable amounting to $29.6m for financing the purchase of new machines, offset by repayment during the year.

Borrowings decreased at both the Group and Company levels mainly due to repayment of bank borrowings and finance leases.

CASH FLOW ANALYSIS

The Group generated a net cash of $19.6m from operating activities in FY2007, an increase of $804,000, from $18.8m in FY2006. This was mainly due to the higher profit after tax in FY2007, 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 4Q2007 to 4Q2006, the Group generated a marginally increase from net cash inflow of $5.8m in 4Q2007 and $5.6m in 4Q2006. The higher profit after tax recorded in 4Q2007 was offset fully by increase in trade and other receivables and higher tax paid from higher profitability.

Net cash of $31.1m was used in investing activities in FY2007, up from $27.0m in FY2006. This was due to $35.5m invested in the purchase of machinery in FY2007, which was also partly financed by bills payable, offset by cash received from the disposal of property, plant and equipment (mainly the older productive equipment). Comparing 4Q2007 to 4Q2006, net cash used in investing activities decreased from $6.6m to $1.7m mainly due to the cash received from the disposal of 15 drilling machines in 4Q2007.

Net cash of $5.4m was generated from financing activities in FY2007, a decrease of $14.8m, from $20.3m in FY2006. The decreased was mainly due to repayment of borrowings, interest on loan and bills payable, offset by the proceeds from bills payable. The proceeds from borrowings and proceeds from issuance of ordinary shares to minority shareholders in subsidiaries which collectively amounted to $26.2m in FY2006, did not occur in FY2007.

Cash and cash equivalent stood at $10.7m as at end of 31 December 2007, down from $17.2m as at end of 31 December 2006.

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

While 2006 was a good year for the Group in terms of turnover and profit growth, the Group recorded another strong performance in 2007 for its PCB-related business due primarily to a buoyant electronics sector in China. The strong momentum in the China business from FY2006 continued into FY2007 which more than offset the slow down in the Singapore manufacturing business in FY2007 while the business of distributing PCB-related products witnessed a strong 4Q2007.

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. The Group currently has five production facilities in China located in the Suzhou, Kunshan and Wuxi regions of the Jiangsu province and one in Singapore to cater for the outsourcing needs of its customers. Its China facilities include a second production facility in Kunshan which was set up in August 2007. This production facility enables the Group to support its customers in the Kunshan area with a faster turnaround time due to proximity.

Since 2004, China has overtaken Singapore as the Group's largest manufacturing base in terms of sales, capacity and customer base and accounted for 74% of the Group revenue in the manufacturing service division in FY2007, increasing from 61% in FY2006. The Group has a more diverse customer base in China compared to Singapore.

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. Correspondingly, the Group is vulnerable to any downturn in demand from customers in its areas of operation.

As at 31 December 2007, the Group has 312 CNC drilling machines, 16 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 demands of its existing customers in South East Asia. In a growing PCB market, this business is expected to continue to grow but this growth is expected to be limited to the volumes confined to such existing customers. The Group will continue to face price reduction pressure from these customers and price competitiveness also remains a challenge.

IT

The IT business has seen good growth since its inception in May 2002. During its initial year in 2002, revenue was a mere S$2.6m whereas it touched $78.1m in 2007, a growth of approximately 29 times over that period.

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, Bluecoat, 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 31 December 2007, the Group's IT business has a total of 18 offices in 9 countries, with a presence extending into Taiwan and westward into India in 2007. These new overseas offices are expected to make positive contribution to the Group's performance in FY2008. Countries with already mature in operations are also expected to contribute more to the Group's performance.

In January 2008, M.Tech's headquarters in Singapore also consolidated its operations from two locations into a single location at Tradehub21. This is expected to result in greater efficiency in communications and result in operational cost savings.

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.

IT

The higher need for IT security also comes in the form of legislation such as the Sarbanes-Oxley Act of 2002 in the US, which has requirements for stringent internal controls, including IT controls. 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.

Despite the Group's bright long term outlook in the IT business, events such as those political or economic in nature which are beyond our control could affect business in certain markets. 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.

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 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.

Prospects Statement for FY2008

The Group experienced a slowdown starting from December 2007 for its China manufacturing service business and there were no improvement in January 2008 and no signs of any pick-up in February 2008. The outlook for PCB is therefore uncertain and a weak 1Q2008 can be expected as the first quarter is traditionally a slow quarter for PCB producers due to Chinese New Year festival. Additionally, the power situation in China, aggravated by the severe winter conditions, is expected to result in disruption in factory operations. The new China labour contract law effective on 1 January 2008 is expected to raise business costs.

All in, 1Q2008 is not expected to be better than 4Q2007 and any turnaround is only expected to happen after 1Q2008. As the outlook in the business of distributing PCB specialty materials and related products continues to remain weak, the performance of the Group in its PCB business 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.

The IT business is expected to grow further in importance to the Group. As the Group plans 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 and the outlook in this area is positive.

Based on the current visibility and market outlook in the region, the Directors, while positive of the prospects of the IT business in 2008, are of the view that the PCB business would be challenging. This takes into account the reduced consumer spending in the US. The Directors are of the view that the performance of the Group in FY2008 would not be better than FY2007 unless the IT business picks up significantly from where it left off in FY2007 and the Asian economies are resilient to the negativity surrounding the US.

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 07		As at 31 Dec 06	
Secured	Unsecured	Secured	Unsecured
202,000	35,611,000	202,000	24,861,000

Amount repayable after one year

As at 31 Dec 07		As at 31 Dec 06	
Secured	Unsecured	Secured	Unsecured
832,000	11,059,000	1,052,000	17,443,000

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 as at 31 Dec 2007, repayable in one year or less, includes convertible notes of USD1,500,000 (SGD equivalent: $2,400,000)

2. SHARE CAPITAL

Group	Authorised shares '000	Issued shares '000	Share capital $'000	Share premium $'000	Total share capital $'000
Balance at 1 January 07	**-**	**356,981**	**36,559**	**-**	**36,559**
Share issue pursuant to conversion of convertible notes	**-**	3,400	729	-	729
Balance at 31 December 07	**-**	**360,381**	**37,288**	**-**	**37,288**
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)	-
Transfer of capital redemption reserve to share capital	-	-	826	-	826
Share issue pursuant to conversion of convertible notes	**-**	600	129	-	129
Balance at 31 December 06	**-**	**356,981**	**36,559**	**-**	**36,559**

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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 2007.

4. ***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.

5. ***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.

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

Not applicable.

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

There was no variance between the actual performances for the period ended 31 December 2007 and the prospects provided in the financial statement announcement for the year ended 31 December 2006.

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**		**12 months ended**	
	31-Dec-07	**31-Dec-06**	**31-Dec-07**	**31-Dec-06**
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	1.80 cents	0.90 cents	4.28 cents	4.02 cents
- Weighted average number of shares ('000)	360,381	356,981	360,381	356,981
(ii) On fully diluted basis	1.80 cents	0.89 cents	4.28 cents	3.87 cents
- Adjusted weighted average number of shares ('000)	360,381	359,114	359,796	371,357

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	
	31-Dec-07	**31-Dec-06**	**31-Dec-07**	**31-Dec-06**
Net asset value per share based on existing issued share capital as at the respective period	21.17 cents	16.78 cents	16.53 cents	13.07 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 and 356,981,000 ordinary shares respectively.

10. DIVIDEND

(a) Current Financial Period Reported On

Name of dividend	Summary of dividend proposed per share	Amount $'000
Final	Tax exempt (one-tier) dividend of 0.83 cents per ordinary share	3,000

The book closure date and dividend payment date will be announced later.

(b) Dividend for financial year ended 31 December 2006

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

11. ADDITIONAL INFORMATION

i) SEGMENT INFORMATION

	Manufacturing		IT Distribution		PCB Distribution		Total	
	12 months ended		12 months ended		12 months ended		12 months ended	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Total revenue from external customers	55,724	47,358	78,125	42,288	6,930	7,772	140,779	97,418
Segment results	11,724	12,183	7,371	3,664	(302)	209	18,793	16,056
Other gains/(losses) - net	1,755	1,431	(95)	165	(962)	70	698	1,666
							19,491	17,722
Unallocated finance gain - net							524	51
Loss from associate		-		-	(117)	(119)	(117)	(119)
Profit before income tax							19,898	17,654
Income tax expense							(3,714)	(2,960)
Net profit for the year							16,184	14,694
Other segment items								
Capital expenditure	33,722	29,043	1,624	376	195	370	35,541	29,789
Depreciation expense	11,806	8,474	314	169	162	169	12,282	8,812

	Manufacturing		IT Distribution		PCB Distribution		Total	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Segment assets	113,969	84,318	33,220	22,183	5,485	5,483	152,674	111,984
Investment in associate	-	-	-	-	1,618	1,735	1,618	1,735
Unallocated assets							1,170	10,506
Total assets							155,462	124,225
Segment liabilities	32,743	21,770	14,380	8,758	434	403	47,557	30,931
Unallocated liabilities							29,351	31,978
Total liabilities							76,908	62,909

11. ADDITIONAL INFORMATION

i) SEGMENT INFORMATION

Geographical segments

Revenue	**2007**	**2006**
Singapore	38,529	33,845
ASEAN	36,554	24,162
China	65,696	39,411
Total	140,779	97,418

	Total assets		Capital expenditure	
	31/12/2007	**31/12/2006**	**31/12/2007**	**31/12/2006**
Singapore	40,536	40,933	1,919	11,339
ASEAN	13,200	7,622	366	297
China	100,556	65,164	33,256	18,153
	154,292	113,719	35,541	29,789
Unallocated assets	1,170	10,506		
Total	155,462	124,225		

ii) BREAKDOWN OF SALES

		2007 $'000	**2006** S'000	%increase/ Decrease
(a)	Sales reported for first half year	63,685	43,945	45%
(b)	Profit after tax before deducting minority interest reported for first half year	3,381	7,088	(52%)
(c)	Sales reported for second half year	77,094	53,473	44%
(d)	Profit after tax before deducting minority interest reported for second half year	12,803	7,606	68%

BY ORDER OF THE BOARD

Foo Suan Sai
Chairman and Chief Executive Officer
29 January 2008