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

Interim Financial Statements

For The Financial Period Ended 30 June 2006

Multi-Chem Limited
Registration No. 198500318Z

Interim Financial Statements
For the financial period ended 30 June 2006

CONSOLIDATED INCOME STATEMENT

Group	3 months ended			6 months ended		
	30-Jun-06 $'000	**30-Jun-05 $'000**	**Change %**	**30-Jun-06 $'000**	**30-Jun-05 $'000**	**Change %**
Revenue	21,845	14,482	51	43,945	28,700	53
Cost of sales	(15,101)	(10,382)	45	(29,107)	(20,597)	41
Gross profit	6,744	4,100	64	14,838	8,103	83
Other gains - net	343	187	83	661	283	134
Expenses						
- Distribution and marketing	(702)	(625)	12	(1,313)	(1,031)	27
- Administrative	(2,574)	(1,824)	41	(4,760)	(3,544)	34
- Others	(479)	(73)	556	(1,068)	(115)	829
- Finance	(120)	(59)	103	(156)	(86)	81
Share of (loss)/profits of associated company	(27)	34	(179)	(18)	68	(126)
Profit before income tax	3,185	1,740	83	8,184	3,678	123
Income tax expense	(482)	(70)	589	(1,096)	(465)	136
Net profit	2,703	1,670	62	7,088	3,213	121
Attributable to:						
Equity holders of the Company	2,658	1,630	67	6,950	3,111	125
Minority interests	45	40	13	138	102	35
	2,703	1,670	62	7,088	3,213	121
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in cents per share)						
Basic	0.75 cents	0.51 cents		1.95 cents	0.98 cents	
Diluted	0.74 cents	0.51 cents		1.94 cents	0.95 cents	

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CONSOLIDATED INCOME STATEMENT

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

Group	**3 months ended**			**6 months ended**		
	30-Jun-06	**30-Jun-05**	**Change**	**30-Jun-06**	**30-Jun-05**	**Change**
	$'000	**$'000**	**%**	**$'000**	**$'000**	**%**
Other income	66	198	(67)	131	276	(53)
Interest income	84	12	600	118	21	462
Interest expense	(120)	(59)	103	(156)	(86)	81
Depreciation of property, plant and equipment	(2,010)	(1,815)	11	(3,917)	(3,622)	8
(Provision)/write back for impairment of debts - net	(4)	198	(102)	1	109	(99)
Bad debts recovered/(written off)	43	-	Nm	(102)	8	(1,375)
(Inventory write-down)/reversal of inventory write-down	(73)	(28)	161	(65)	1	(6,600)
Foreign exchange (loss)/gain	(24)	108	(122)	254	112	127
Gain/(loss) on disposal of property, plant and equipment	178	(326)	155	261	(241)	208

Nm : Not meaningful

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BALANCE SHEET

	Group		Company	
	30-Jun-06	**31-Dec-05**	**30-Jun-06**	**31-Dec-05**
	$'000	**$'000**	**$'000**	**$'000**
Current assets				
Cash and cash equivalents	19,006	5,446	15,547	2,467
Trade and other receivables	22,941	24,689	17,230	12,403
Inventories	6,010	4,133	1,317	1,619
Other current assets	979	646	402	155
	48,936	34,914	34,496	16,644
Non-current assets				
Club memberships	128	132	-	-
Investment in an associated company	1,836	2,084	1,050	1,050
Investments in subsidiaries	-	-	36,232	30,347
Property, plant and equipment	58,034	48,019	15,704	16,445
	59,998	50,235	52,986	47,842
Total assets	**108,934**	**85,149**	**87,482**	**64,486**
Current liabilities				
Trade and other payables	12,852	11,870	3,651	4,870
Current income tax liabilities	1,769	1,457	1,019	957
Bills payable to banks	15,693	9,022	15,693	9,022
Borrowings	4,999	1,059	4,202	228
	35,313	23,408	24,565	15,077
Non-Current liabilities				
Borrowings	16,874	5,386	16,475	4,555
Deferred income tax liabilities	594	732	591	725
	17,468	6,118	17,066	5,280
Total liabilities	**52,781**	**29,526**	**41,631**	**20,357**
NET ASSETS	**56,153**	**55,623**	**45,851**	**44,129**
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital and share premium	35,604	35,604	35,604	35,604
Other reserves	(249)	810	1,111	1,111
Retained earnings	20,437	18,486	9,136	7,414
	55,792	54,900	45,851	44,129
Minority interest	361	723	-	-
Total equity	**56,153**	**55,623**	**45,851**	**44,129**

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CONSOLIDATED CASHFLOW STATEMENT

Period ended 30 June 2006 S$'000	**3 months ended**		**6 months ended**	
	30-Jun-06	**30-Jun-05**	**30-Jun-06**	**30-Jun-05**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after income tax	2,703	1,670	7,088	3,213
Adjustments for:				
Tax	482	70	1,096	465
(Gain)/loss on disposal of property, plant and equipment	(178)	326	(261)	241
Depreciation	2,010	1,815	3,917	3,622
Interest expense	120	59	156	86
Interest income	(84)	(12)	(118)	(21)
Share of results from an associated company	27	(34)	18	(68)
	5,080	3,894	11,896	7,538
Operating cashflow before working capital changes	5,080	3,894	11,896	7,538
Change in operating assets and liabilities				
Inventories	(863)	(1,079)	(1,877)	(1,002)
Trade and other receivables	398	(1,584)	1,748	(2,261)
Other assets	(318)	(251)	(333)	(291)
Trade and other payables	1,363	3,322	982	2,493
	580	408	520	(1,061)
Cash generated from operations	5,660	4,302	12,416	6,477
Interest received	84	12	118	21
Income tax paid	(594)	(478)	(922)	(762)
Net cash provided by operating activities	5,150	3,836	11,612	5,736

CONSOLIDATED CASHFLOW STATEMENT

S$'000	3 months ended		6 months ended	
	30-Jun-06	**30-Jun-05**	**30-Jun-06**	**30-Jun-05**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment	(13,600)	(5,359)	(16,332)	(7,181)
Dividends received from associated company	-	-	230	25
Proceeds from disposals of property, plant and equipment	688	1,004	988	1,322
Proceeds from disposal of available-for-sale financial asset	-	75	-	75
Proceeds from disposal of interest in subsidiaries	-	-	-	30
Proceeds from issuance of ordinary shares in a subsidiary	30	-	30	-
Net cash (used in) investing activities	(12,882)	(4,280)	(15,084)	(5,729)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of lease liabilities	(70)	(82)	(121)	(107)
Proceeds from/(repayments of) borrowings	15,773	(168)	15,534	(371)
Proceeds from bills payable - net	8,500	3,600	6,671	2,729
Interest paid	(105)	(59)	(141)	(86)
Dividends paid to shareholders	(5,530)	(4,024)	(5,530)	(4,024)
Proceeds from warrants exercised	-	119	-	304
Loan from Director	-	1,000	-	1,000
Net cash provided by/(used in) financing activities	18,568	386	16,413	(555)
Net increase/(decrease) in cash and cash equivalents	10,836	(58)	12,941	(548)
Cash and Cash Equivalents at Beginning of the Period	7,529	4,498	5,446	4,994
Effects of exchange rate changes on cash and cash equivalents	641	519	619	513
Cash and Cash Equivalents at End of the Year	19,006	4,959	19,006	4,959

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STATEMENTS OF CHANGES IN EQUITY

Group	Attributable to equity holders of the Company			Minority interest	Total equity
	Share capital and share premium	Other reserves	Retained earnings		
	$'000	$'000	$'000	$'000	$'000
Balance at 1 Jan 06	35,604	809	18,487	723	55,623
Net loss recognised directly in equity					
- Currency translation differences	-	(1,058)	-	-	(1,058)
Net profit for the period	-	-	6,950	138	7,088
Total recognised (losses)/gains for the period	**-**	**(1,058)**	**6,950**	**138**	**6,030**
Dividend paid	-	-	(5,000)	(530)	(5,530)
Issue of shares by a subsidiary	-	-	-	30	30
Balance at 30 Jun 06	**35,604**	**(249)**	**20,437**	**361**	**56,153**
Balance at 1 Jan 05	27,461	2,032	15,425	515	45,433
Net loss recognised directly in equity					
- Currency translation differences	-	569	-	-	569
Net profit for the period	-	-	3,111	102	3,213
Total recognised gains/(losses) for the period	**-**	**569**	**3,111**	**102**	**3,782**
Dividend paid	-	-	(4,024)	-	(4,024)
Issuance of shares pursuant to exercise of warrants	406	(102)	-	-	304
Issue of shares by a subsidiary	-	-	-	30	30
Balance at 30 Jun 05	**27,867**	**2,499**	**14,512**	**647**	**45,525**

Company	**Attributable to equity holders of the Company**			**Total equity**
	Share capital and share premium	**Other reserves**	**Retained earnings**	
	$'000	$'000	$'000	$'000
Balance at 1 Jan 06	35,604	1,111	7,414	44,129
Net profit for the period	-	-	6,722	6,722
Dividend paid	-	-	(5,000)	(5,000)
Balance at 30 Jun 06	**35,604**	**1,111**	**9,136**	**45,851**
Balance at 1 Jan 05	27,461	3,147	10,112	40,720
Issuance of shares pursuant to exercise of warrants	406	(102)	-	304
Net profit for the period	-	-	1,099	1,099
Dividend paid	-	-	(4,024)	(4,024)
Balance at 30 Jun 05	**27,867**	**3,045**	**7,187**	**38,099**

REVIEW OF PERFORMANCE OF THE GROUP

REVENUE

The Group achieved revenue of $21.8m for the three months ended 30 June 2006 ("2Q2006"), an increase of 50.8% or $7.3m compared to the revenue of $14.5m for the three months ended 30 June 2005 ("2Q2005"). For the six months ended 30 June 2006 ("1H2006"), the Group achieved revenue of $43.9m. This was a significant year-on-year increase of 53.1% or $15.2m, compared to revenue of $28.7m for the six months ended 30 June 2005 ("1H2005"). The better year-on-year revenue performance was mainly due to the growth in the Group's China manufacturing service business and the IT distribution business.

In contrast, comparing 2Q2006 to the three months ended 31 March 2006 ("1Q2006"), Group revenue decreased marginally by 1.2% or $225,000, from $22.1m to $21.8m. This was largely due to the slowdown in manufacturing service business in Singapore.

In 1H2006, the manufacturing service business accounted for about 49% of Group revenue, while the distribution business, comprising the distribution of PCB-related materials and IT distribution, accounted for the remaining 51%.

REVIEW OF PERFORMANCE OF THE GROUP

REVENUE

Manufacturing Service Division

Revenue in this Division grew by 43.3% or $3.2m, from $7.2m in 2Q2005 to $10.4m in 2Q2006. This was mainly due to a weak start to 2Q2005, as the electronics sector was recovering from a slow down at the end of 2004 which lasted approximately two quarters. The year-on-year revenue growth was achieved as the electronics business picked up in late March 2005 and remained strong through the rest of 2005 and in 1Q2006. While there was a slight slow down in 2Q2006 compared to 1Q2006, revenue for this Division in 2Q2006 was still significantly higher than in 2Q2005.

The revenue growth in this Division in 2Q2006 compared to 2Q2005 was mainly contributed from the manufacturing service business in China, as the Singapore manufacturing service business slowed down marginally. The growth in China was achieved due to a more diverse customer base in China, an increase in the Group's mechanical drilling capacity there from an average of 88 mechanical drilling machines in 2Q2005 to 128 in 2Q2006 as well as higher efficiency from more advanced machines. Mechanical drilling still made up approximately 87% of the business in this Division.

In 1H2006, this Division achieved revenue of $21.6m, a strong growth of 58.8% over revenue of $13.6m achieved in 1H2005. Although the growth in the electronics business sector slowed down in 2Q2006 compared to the preceding quarter, the strong growth in 1Q2006, sustained by the demand for consumer electronics, PCs and handsets then, made up for the slow down in 2Q2006.

Comparing 2Q2006 to 1Q2006, revenue in this Division decreased by 7.5% or $845,000 from $11.2m in 1Q2006 to $10.4m in 2Q2006. This was due to the slow down in the manufacturing service business in Singapore after four consecutive quarters of growth.

REVIEW OF PERFORMANCE OF THE GROUP

Distribution Division

The Group achieved revenue of $11.5m for this Division in 2Q2006, an increase of 58.4% or $4.3m over the revenue of $7.2m in 2Q2005. On a half yearly basis, the Group achieved a revenue growth of 47.7% or $7.2m, from $15.1m in 1H2005 to $22.3m in 1H2006. The increase in revenue is contributed by the growth in the IT business, offset by the decrease in revenue from the distribution of PCB specialty chemicals and related products. Comparing 1Q2006 to 2Q2006, revenue increased marginally by 5.5% or $590,000 from $10.9m to $11.5m.

<u>PCB</u>
Revenue derived from the distribution of PCB specialty chemicals and related materials dropped marginally by 4.5% or $92,000 from $2.0m in 2Q2005 to $1.9m in 2Q2006. Comparing the first half year, this business achieved revenue of $4.2m in 1H2006, compared to $4.4m in 1H2005, a decrease of 4.7% or $196,000. The lower revenue earned in 2Q2006 and 1H2006 compared to the corresponding periods in 2005 from this business was mainly due to the drop in business from one product line commencing September 2005 due to pricing issues.

Comparing 1Q2006 to 2Q2006, revenue in this segment decreased by 9.3% or $249,000, from $2.2m to $2.0m. This was mainly due a customer discontinuing the use of our specialty chemical in June 2006.

<u>IT</u>
Revenue derived from distribution of IT products increased by 83.2% or $4.3m, from $5.2m in 2Q2005 to $9.5m in 2Q2006, and 70.1% or $7.5m, from $10.7m in 1H2005 to $18.2m in 1H2006. Comparing 2Q2006 and 1Q2006, revenue increased by 9.2% or $840,000 from $8.7m in 1Q2006 to $9.5m in 2Q2006.

The growth in this business was largely due to the expansion of the regional businesses in Malaysia, Thailand and Vietnam, as well as further growth in the Singapore operations. Offices in China (Shanghai) and Indonesia (Jakarta), which were set up in 1Q2005, also contributed to the revenue for 2Q2006 and 1H2006. The addition to sales and pre-sales personnel and new products to its portfolio also played a part in the revenue growth.

REVIEW OF PERFORMANCE OF THE GROUP

PROFIT BEFORE TAX ("PBT")

The Group achieved a PBT of $3.2m in 2Q2006, an increase of 83.0% or $1.5m over the PBT of $1.7m achieved in 2Q2005, largely in line with the higher revenue and gross profit in 2Q2006 compared to 2Q2005.

Additionally, this increase in PBT was due to the gain on disposal of fixed assets of $178,000 in 2Q2006 as compared to loss on disposal of fixed assets of $326,000 in 2Q2005.

The increase in PBT was offset by the following:-

(1) Foreign exchange loss of $24,000 in 2Q2006 compared to foreign exchange gain of $108,000 in 2Q2005. In 2Q2006, the effect of the weaker US dollar on the Group is offset by the effect of the weaker Chinese renminbi vis-à-vis the Singapore dollar.

(2) An increase in payroll-related expenses from $1.3m in 2Q2005 to $2.0m in 2Q2006 due mainly to provision for directors' share of profits, as provided for in their respective service agreements, higher headcount from the expansion of the regional businesses and higher commission from higher sales;

(3) Write back for impairment of debts amounting to $198,000 in 2Q2005 compared to $39,000 in 2Q2006.

(4) Inventory write-down of $73,000 in 2Q2006 compared to $28,000 in 2Q2005. The inventory write-down mainly relates to the IT stock.

On a half yearly basis, the Group achieved a PBT of $8.2m in 1H2006, compared to a PBT of $3.7m in 1H2005, showing a significant year-on-year growth of 122.5% or $4.5m. This is in line with the strong performance of the Group in the first two quarters of 2006.

Comparing 2Q2006 to 1Q2006, Group PBT decreased by 36.3% or $1.8m, from $5.0m to $3.2m. The decrease was due to reduction in margin in the business of distribution of PCB specialty chemicals and related materials, as well as a slower 2Q2006 in the manufacturing service business in Singapore.

REVIEW OF PERFORMANCE OF THE GROUP

PROFIT AFTER TAX ("PAT")

Group PAT increased by 61.9% or $1.0m, from $1.7m in 2Q2005 to $2.7m in 2Q2006. Comparing 1H2006 to 1H2005, PAT increased by 120.6% or $3.9m, from $3.2m in 1H2005 to $7.1m in 1H2006. On a sequential basis, Group PAT decreased from $4.4m in 1Q2006 to $2.7m in 2Q2006. These were largely in line with the changes in PBT.

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

BALANCE SHEET REVIEW

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

Cash and cash equivalents at the Group level increased from $5.4m to $19m. At the Company level, cash and cash equivalents increased from $2.5m to $15.5m. The increases at both the Group and Company level were mainly due to positive cash flow from working capital and the draw down of $16m loan from DBS in May 2006, net of repayments of bills payable and dividend payment of $5.5m in May 2006.

Trade and other receivables of the Group decreased marginally from $24.7m to $22.9 which is in line with the decrease in revenue in 2Q2006 as compared to 4Q2005. The increase at the Company level from $12.4m to $17.2m is mainly due to the sales of machineries to China subsidiaries for the expansion.

Inventories at the Group level increased from $4.1m to $6.0m mainly due to the increase in IT stock resulting from the growth of the IT business in Singapore and regionally.

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

Property, plant and equipment increased from $48.0m to $58.0m at the Group level mainly due to addition of 44 units of new CNC drilling machines, 7 new routing machines and 1 new laser drilling machine for both the Singapore and China operations, offset by the sale of 4 units of used CNC drilling machines in Singapore and China to third parties and the depreciation charged. The slight decrease at the Company level from $16.4m to $15.7m was due to the addition of 10 units of new CNC drilling machines, net of depreciation charged in 1H2006 and relocation of 10 units of used CNC drilling machines to China subsidiaries.

Trade and other payables decreased from $4.9m to $3.6m at the Company level due mainly to the lower business volume in 2Q2006 as compared to 4Q2005. The increase in payables at Group level from $11.9m to $12.9m was mainly due to outstanding payments to suppliers of the IT distribution business and the payable of $530,000 dividend to the minority shareholders at the subsidiary level.

BALANCE SHEET REVIEW

Bills payable to banks increased from $9.0m to $15.7m at both the Group and the Company level mainly due to repayment of $6.3m in 1H2006, offset by additional bills payable amounting to $13m for financing the purchase of new machines in the same period.

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

CASHFLOW REVIEW

Net cash of $11.6m was generated from operating activities in 1H2006, an improvement of $5.9m, from $5.7m in 1H2005. This was mainly due to the higher profit after tax achieved in 1H2006, as well as the reduction of trade and other receivables, notwithstanding the higher revenue achieved. The increase was offset by the higher inventory holdings due to the expansion of the IT distribution business and higher tax paid due to better profitability in the business.

Net cash of $15.1m was used in investing activities in 1H2006, up from $5.7m in 1H2005. About $16.3m was invested in the purchase of machinery in 1H2006, which was also partly financed by bills payable. This was offset by cash of $1.2m in aggregated from dividends from an associated company and proceeds from disposal of property, plant and equipment, which the Group received from its investing activities.

Net cash of $16.4m was generated from financing activities in 1H2006, up from $555,000 net cash usage in 1H2005. This was mainly due to draw down of $16m loan in 1H2006 as well as the proceeds from bills payable for purchase of fixed assets. The increase was offset by payment of dividends to shareholders

Cash and cash equivalent stood at $19.0m as at end of 30 June 2006, up from $5.0m as at end of 30 June 2005.

COMMENTARY ON CURRENT YEAR PROSPECTS

PCB

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

In the US, the North American PCB industry book-to-bill ratio has dropped from 1.14 in February 2006 to 1.01 for May 2006. A ratio of more than 1.00 suggests current demand is ahead of supply, which indicates probably near term growth. While the growth may not be as strong, the outlook remains positive. In Singapore, after a slower start to 2Q2006, demand for manufacturing service has picked up since June 2006 and in China, demand remains strong.

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

As at 30 June 2006, the Group had 199 CNC drilling machines, 6 laser drilling machines and 45 routing machines. Included in the Group's machines currently are 80 drilling machines capable of drilling at speeds of 200,000 rpm, which can achieve higher accuracy for micro vias, particularly for hole size of 0.2mm and below.

The setting up of a wholly-owned subsidiary in Kunshan has been completed and in July 2006, the Kunshan factory commenced operations with 4 drilling machines and 6 routing machines.

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

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

IT

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

In addition to its current product business, the Group is also involved in providing certified IT training through M.Tech Training Centre Pte Ltd, which is authorised to conduct training for Nokia, Check Point and RSA courses. In China, the Group is now an authorised training provider for Nokia courses. This business is complementary to the core IT distribution business and is expected to bring about more awareness and technical knowledge through the courses conducted.

As at 30 June 2006, the Group's IT business has a total of 10 offices in 7 countries, with a presence extending to North Asia, following the commencement of its Shanghai operations in December 2004, its Beijing operations in December 2005 and its Guangzhou operations in June 2006. These new overseas offices are expected to made positive contribution to the Group's performance in FY2006. In June 2006, the Group extended its ASEAN reach by setting up a wholly-owned subsidiary in the Philippines. The Group will continue to look out for opportunities for regional expansion.

The Group will continue to be selective of the products we carry so as to be able to do the best for the principals that the M.Tech companies represent. The Group intends to work closely with key partners to further promote the products we carry, including organizing marketing events.

IT has become an integral part of doing business and awareness of IT has been growing. Reliance on IT has been growing exponentially and applications of IT are now not confined only to the business area but to homes and travels as well. With this higher reliance on IT comes the need for security because if IT fails, it might prove inconvenient for some but damaging for others. As economies mature, an increasing amount of the total IT budget is expected to be incurred for IT security. These developments can only augur well for the Group.

Risk Factors

The Group's primary business risk is the exposure to the electronics products sector. Our customers are PCB manufacturers most of whom will be exposed to the cyclical nature of the electronics business. Any downturn in the electronics cycle will result in a cutback in outsourcing which will impact the Group negatively. Additionally, with the typically heavy capital investment required in the manufacturing service business, the Group will be adversely affected should there be a downturn in the electronics business due to the high fixed costs in this business.

The Group's success in the China market will depend on our ability to maintain our technological, quality assurance, capacity and pricing advantage over our competitors. Additionally, we have to monitor trade debts closely as collection of accounts receivable generally takes longer in China.

The Group, with significant investment in China, is also exposed to the political, legal and economic climates of the country.

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 and Malaysia ringgit. The Company may, from time to time, enter into borrowing and foreign exchange arrangements as currency hedges.

In the area of IT distribution, the Group is subject to risk of reliance on a few key vendors, in respect of their channel strategies, as well as product roadmap. The Group is also exposed to the risks of product obsolescence in respect of the hardware carried. Despite such risks, the Group has taken steps to align with the leading names in the IT arena and as such, there is a good probability that such companies will take steps to ensure that their products maintain the technological edge. The Group also monitors its stock on a quarterly basis and will make provisions where necessary.

NOTES TO THE FINANCIAL STATEMENTS

1. AGGREGATE AMOUNT OF GROUP'S BORROWINGS AND DEBT SECURITIES

Amount repayable in one year or less, or on demand

As at 30 Jun 06		As at 31 Dec 05	
Secured	Unsecured	Secured	Unsecured
202,000	20,490,000	228,000	9,853,000

Amount repayable after one year

As at 30 Jun 06		As at 31 Dec 05	
Secured	Unsecured	Secured	Unsecured
1,141,000	15,733,000	1,236,000	4,150,000

Additional information and details of any collateral

The finance leases are secured on the Group's motor vehicles and eight drilling machines.
Note: The unsecured amount includes convertible notes of USD2,000,000 (SGD equivalent : $3,334,000)

2. SHARE CAPITAL AND SHARE PREMIUM

Group	Authorised shares '000	Issued shares '000	Share capital $'000	Share premium $'000	Total share capital and share premium $'000
Balance at 1 Jan 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)	-
Balance at 30 Jun 06	**-**	**356,381**	**35,604**	**-**	**35,604**
Balance at 1 Jan 05	600,000	315,670	15,783	11,678	27,461
Issuance of shares pursuant to exercise of warrants	-	2,024	102	304	406
Balance at 30 Jun 05	**600,000**	**317,694**	**15,885**	**11,982**	**27,867**

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

NOTES TO THE FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES

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

4. OTHER INFORMATION

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

There was no variance between the actual performances for the period ended 30 June 2006 and the prospects provided in the financial statement announcement for the year ended 31 December 2005.

5. EARNINGS PER ORDINARY SHARE

Group	**3 months ended**		**6 months ended**	
	30-06-06	**30-06-05**	**30-06-06**	**30-06-05**
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in cents per share)				
- on weighted average number of shares	0.75 cents	0.51 cents	1.95 cents	0.98 cents
- on a fully diluted basis	0.74 cents	0.51 cents	1.94 cents	0.95 cents

(a) The basic earnings per share for the 3 months ended 30 June 2006 and 30 June 2005 have been calculated based on the weighted average number of 356,381,000 and 317,693,800 ordinary shares respectively.

The basic earnings per share for the 6 months ended 30 June 2006 and 30 June 2005 have been calculated based on the weighted average number of 356,381,000 and 317,693,800 ordinary shares respectively.

(b) The fully diluted earnings per share for the 3 months ended 30 June 2006 and 30 June 2005 have been calculated based on the weighted average number of 358,625,000 and 321,562,000 ordinary shares respectively.

The fully diluted earnings per share for the 6 months ended 30 June 2006 and 30 June 2005 have been calculated based on the weighted average number of 359,069,000 and 326,357,000 ordinary shares respectively.

NOTES TO THE FINANCIAL STATEMENTS

6. NET ASSET VALUE

	Group		Company	
	30-Jun-06	**31-Dec-05**	**30-Jun-06**	**31-Dec-05**
Net asset value per share based on existing issued share capital as at the respective period	15.66 cents	15.40 cents	12.87 cents	12.38 cents

The net asset value per ordinary share at the end of the current period and the immediately preceding financial year have been calculated based on 356,381,000 ordinary shares.

7. DIVIDEND

(a) Current Financial Period Reported On

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in cents)	Tax exempt dividend of 0.84 cents per ordinary share
Optional:- Dividend Rate (in %)	16.8% per ordinary share
Par value of shares	$0.05
Tax Rate	NA

The books closure and dividend payment dates will be announced later.

(b) Previous Corresponding Financial Period

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per Share (in cents)	0.78 cents per ordinary share (less tax)
Optional:- Dividend Rate (in %)	15.6% per ordinary share
Par value of shares	$0.05
Tax Rate	20% or applicable tax

Please note that the Group is currently subject to the debt servicing ratio imposed by DBS following the draw down of the $16m term loan. The quantum of future dividend may be reduced in line with meeting the debt servicing ratio.

The books closure and dividend payment dates will be announced later.

BY ORDER OF THE BOARD

Foo Suan Sai
Chairman and Chief Executive Officer
28 July 2006