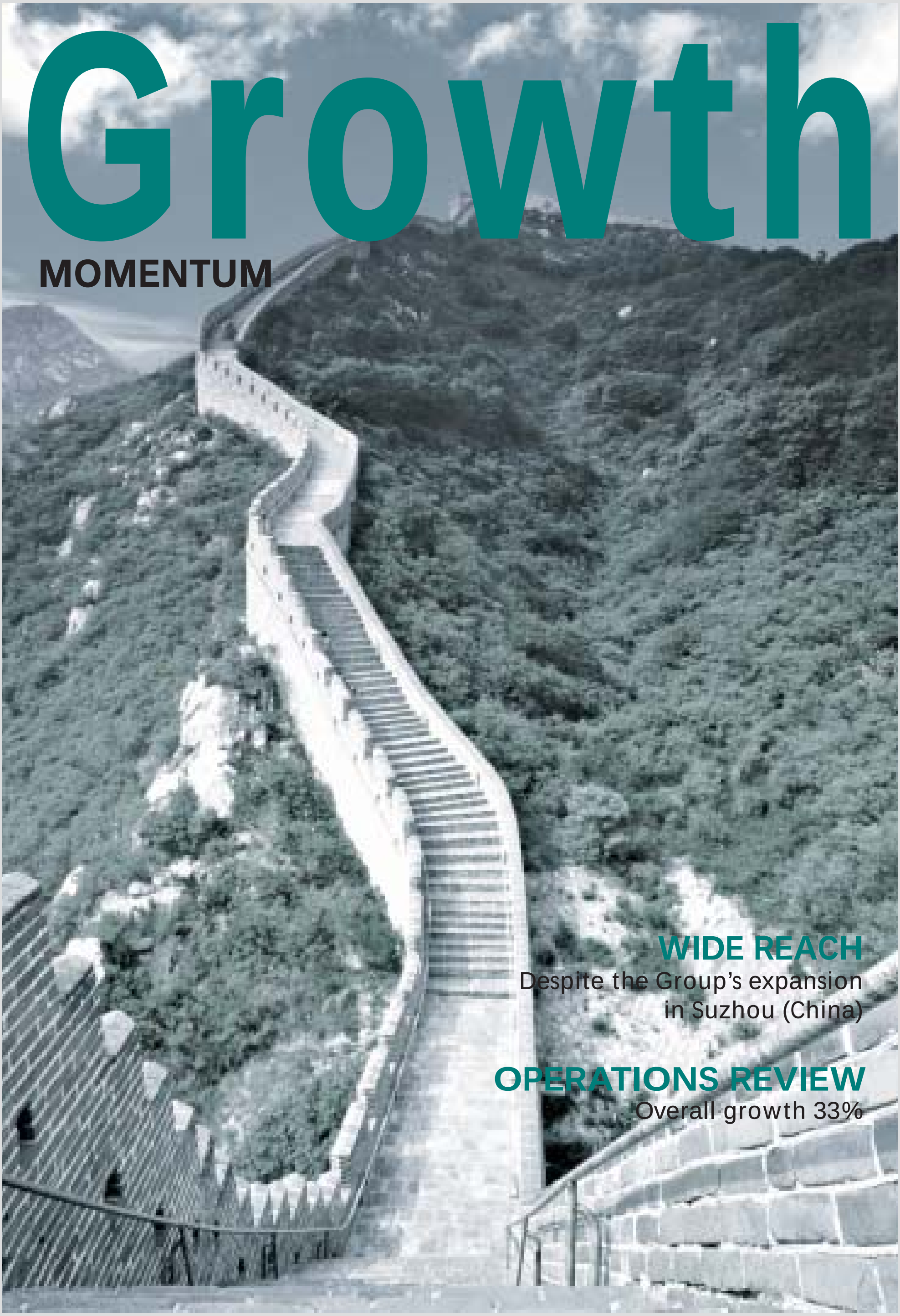
An Annual Report by MULTI-CHEM LIMITED 2004 ISSUE



Growth

MOMENTUM

WIDE REACH

Despite the Group's expansion in Suzhou (China)

OPERATIONS REVIEW

Overall growth 33%

Growth Momentum

To illustrate Multi-Chem's successful expansion in China, the Great Wall (a symbol of China) is used to portray the company's invested commitment in this region to growing its business.

Using a novel approach, this Annual Report gives readers an informative and positive outlook of the company.

Promising a constant stream of growth after its entry into China, the tagline *Growth Momentum* precisely depicts this to Multi-Chem's investors.

Contents

Definitions

In this Annual Report, the following definitions apply throughout where the context so admits:

"Group"	:	The Company and its subsidiaries
"Multi-Chem" or "Company"	:	Multi-Chem Limited
"M.Tech"	:	One or more of the M.Tech companies

Subsidiaries

"M-Precision"	:	M-Precision Tech Sdn. Bhd.
"M.Tech China"	:	M.Tech (Shanghai) Co., Ltd.
"M.Tech Indochina"	:	M-Security Technology Indochina Pte. Ltd.
"M.Tech Indonesia"	:	PT. M.Tech Products
"M.Tech Malaysia"	:	M-Security Technology Sdn. Bhd.
"M.Tech Singapore"	:	M.Tech Products Pte Ltd
"M.Tech Thailand"	:	M-Solutions Technology (Thailand) Co., Ltd.
"M.Tech Training Centre"	:	M.Tech Training Centre Pte Ltd
"Multi-Chem Laser Tech"	:	Multi-Chem Laser Technology (Suzhou) Co., Ltd.
"Multi-Chem Suzhou"	:	Multi-Chem (Suzhou) Co., Ltd.
"Multi-Chem Wuxi"	:	Multi-Chem Electronics (Wuxi) Co., Ltd
"SecureOneAsia"	:	SecureOneAsia Pte. Ltd.

Associates

"HPTec HK"	:	Hawera Precision Tec (HK) Limited
"HPTec Singapore"	:	Hawera Precision Tec Pte Ltd
"HP Thailand"	:	Hawera Precision (Thailand) Co., Ltd.
"Multi-Chem Philippines"	:	Multi-Chem Electronics Philippines Corporation

Others

"HPTec"	:	HPTec GmbH

Other Terms

"AC"	:	Audit Committee
"Board"	:	Board of Directors
"NC"	:	Nominating Committee
"RC"	:	Remuneration Committee
"IT"	:	Information technology
"PCB"	:	Printed circuit board
"FY"	:	Financial year
"PAT"	:	Profit after tax
"PBT"	:	Profit before tax
"M"	:	Million

Corporate Profile

Multi-Chem is a drilling and routing service specialist and a major distributor of specialty chemicals and materials to PCB manufacturers. Incorporated in 1985, Multi-Chem was listed on SESDAQ in January 2000 and upgraded to the Main Board of the Singapore Exchange in November 2000.

Already established in South East Asia, we expanded to Suzhou, China in March 2002 and Wuxi, China in April 2003. In May 2003, we commenced the provision of routing services to our customers. In April 2004, we moved into laser drilling in China which complements our strengths in mechanical drilling and allows us to drill microvia of sizes not achievable by mechanical drilling.

We are currently the leading PCB drilling and routing specialist, in terms of both capacity and technology, serving the leading PCB manufacturers in the Huadong area (Eastern China, in particular, Shanghai, Suzhou, Kunshan and Wuxi regions).

While we are traditionally in the PCB-related industry, in May 2002, we diversified to the business of IT distribution. In this area, we aim to be a market leader and a preferred provider of best-of-breed solutions in Asia. Through Multi-Chem’s subsidiaries under the M.Tech umbrella, our IT security business now spans Singapore, Malaysia, Thailand, Vietnam, China and Indonesia.

We continue to focus on the best-of-breed internet security products and now carry products from 13 industry leading principals, namely, Nokia, Check Point, RSA Security, Allot, Internet Security Systems, Foundry Networks, Tripwire, TippingPoint, SurfControl, ServGate, Foundstone, AirDefense and Bluesocket. We also carry storage solutions from Network Appliance in Thailand. In addition, we started an IT training centre in late second quarter of 2004 and are authorised to conduct training for Nokia, Check Point and Foundstone.

Today, the Group comprises the Company, 12 subsidiaries and 4 associated companies, with operations spanning South East Asia and China, and with a staff strength of more than 500.

Corporate Data

Board of Directors
Foo Suan Sai (Chairman)
Han Juat Hoon
Toshiaki Suzuki
Chew Thiam Keng
Wong Meng Yeng

Company Secretaries
Ho Boon Chuan Wilson
Low Mei Mei Maureen

Audit Committee
Wong Meng Yeng (Chairman)
Chew Thiam Keng
Toshiaki Suzuki

Nominating Committee
Chew Thiam Keng (Chairman)
Foo Suan Sai
Wong Meng Yeng

Remuneration Committee
Wong Meng Yeng (Chairman)
Chew Thiam Keng
Toshiaki Suzuki

Registered Office
11 Tuas Ave 5
Singapore 639337
Tel: (65) 6863 1318
Fax: (65) 6863 1618

Share Registrar
M&C Services Private Limited
138 Robinson Road
#17-00 The Corporate Office
Singapore 068906

Independent Auditors
PricewaterhouseCoopers
8 Cross Street #17-00
PWC Building
Singapore 048424
Audit partner: Soh Kok Leong
Year of appointment: 2004

Internal Auditors
C.C.Yang & Co.
10 Anson Road #13-16
International Plaza
Singapore 079903

Principal Bankers
DBS Bank Ltd
6 Shenton Way
DBS Building Tower One
Singapore 068809

KBC Bank N.V.
Singapore Branch
30 Cecil Street # 12-01
Prudential Tower
Singapore 049712

United Overseas Bank Ltd
80 Raffles Place
UOB Plaza
Singapore 048624

Share Listing
The Company's shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited since November 2000.

General
For further information about Multi-Chem, please contact the secretariat at the registered office.

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Websites
http://www.multichem.com.sg
http://www.mtechpro.com

Chinese website
http://ir.zaobao.com/multichem/multichem.html

Board of Directors

dynamic Leaders
who consistently have the drive to
achieve Excellence

Foo Suan Sai

Chairman and Chief Executive Officer
Member of NC

Mr Foo, one of the founding shareholders of Multi-Chem, has more than 20 years of experience in the PCB industry, of which the last 16 years were spent building up the Company. Mr Foo is responsible for the overall direction and development of the Group. He holds a Diploma in Chemical Process Technology from the Singapore Polytechnic and a Diploma in Management Studies from the Singapore Institute of Management.

Wong Meng Yeng

Independent Director
Chairman of AC
Chairman of RC
Member of NC

Mr Wong has been on the Board since January 2000. He has been an advocate and solicitor in Singapore for 21 years, with the past 15 years spent as a corporate lawyer. He holds a Bachelor of Law (Hons) degree from the National University of Singapore. He is currently a director in Alliance LLC, a law corporation he co-founded.

Toshiaki Suzuki

Non-Executive Director
Member of AC
Member of RC

Mr Suzuki was appointed as a Director of the Company in January 2000. He is currently involved in the Group's marketing efforts, particularly to Japanese customers. Mr Suzuki graduated from Sophia University of Tokyo in 1958 and has over 38 years of experience in the PCB industry.

Han Juat Hoon

Chief Operating Officer

Mdm Han is a founding shareholder of Multi-Chem. She has been a Director of the Company since 1987 and commenced working in an executive capacity with the Company in 1992. Mdm Han is well versed in factory operations, having held the appointment of factory manager with a chemical company for 12 years from 1980 to 1992. Mdm Han is responsible for the overall operations of the Group. She holds a Diploma in Chemical Process Technology from the Singapore Polytechnic and a Diploma in Management Studies from the Singapore Institute of Management.

Chew Thiam Keng

Independent Director
Chairman of NC
Member of AC
Member of RC

Mr Chew was appointed as a Director of the Company in January 2000. Currently, he is the managing director of KS Tech Ltd. Before he joined KS Tech Ltd, Mr Chew was an executive director of another public listed company between January 1996 and November 2001. Prior to January 1996, Mr Chew worked for nine years with DBS Bank Ltd in areas such as corporate finance and retail banking. He holds a Masters in Business Administration from the University of Hull and a Bachelor of Engineering (Honours) degree in Mechanical Engineering from the National University of Singapore. He is also a director and an audit committee member of several other listed companies.

From left to right : Han Juat Hoon, Chew Thiam Keng, Foo Suan Sai, Wong Meng Yeng, Toshiaki Suzuki.

Management Team

Mr Ho Boon Chuan Wilson
Chief Financial Officer

Mr Ho has been with the Company since March 2000. Before joining Multi-Chem, he worked for six years in DBS Bank Ltd, specialising in the area of corporate finance. A certified public accountant and a chartered financial analyst, he is responsible for the Group's finance, taxation, investments and investor relations. Since May 2002, he has been responsible for the development of the Group's IT security business. Mr Ho is also currently Multi-Chem's Company Secretary.

We do more than manage

WE PILOT

We continually seek to provide quality services to our customers and maximise returns to shareholders.

Mr Pui Boon Tiong Eugene

Operations Manager

Mr Pui worked as an engineer with PCB manufacturers Motorola Electronics Pte Ltd and WUS Printed Circuits Pte Ltd prior to joining the Company in December 1999. He worked his way up in Multi-Chem from Assistant Production Manager and Equipment Manager before being named Operations Manager in February 2002. Mr Pui currently oversees operations in the Manufacturing Services Division, which include production, maintenance and quality assurance. He holds a Diploma in Engineering (Electronics & Computers) from Ngee Ann Polytechnic.

Mr Koh Henry

QA & Process Manager

Mr Koh joined the Company as a Service Engineer in May 2000 after completing his university education. He was promoted to QA & Process Manager on 1 January 2003. In his present role, he is responsible for all quality assurance matters and process improvements in the Group's Manufacturing Services Division. From 1996 to 1997, Mr Koh worked as an assistant engineer in Hitachi Chemical Asia Pacific Pte Ltd. He left the job to further his studies, adding a Bachelor's degree in Mechanical & Production Engineering from the Nanyang Technological University to the Diploma in Mechanical Engineering from Ngee Ann Polytechnic he already held.

From the Chairman's Desk

Mr Foo Suan Sai

Dear shareholders

The year 2004 can be described as a year of recovery following the electronics downturn in late 2000, particularly when compared to the three prior years of 2001 to 2003. From late August 2003, business started to improve as the electronics sector became busy and demand for PCBs increased. This positive momentum was carried into and lasted for most of 2004 before a slowdown was experienced in the fourth quarter of 2004. The financial result of the Group was reflective of general electronics trend of a strong first three quarters of 2004 and a weaker fourth quarter. Hopefully, the slowdown in the fourth quarter of 2004 is not a turning point but rather, a consolidation for the next push.

The Group

The Group continues to be the leader in both capacity and technology in the markets we are in. Since March 2002, the Group has been investing in the Huadong area in China, which is known to be one of the fastest growing regions in terms of PCB production volume. The Group had, as at 31 December 2004, 83 CNC drilling machines and 20 CNC routing machines in operations in China through Multi-Chem Suzhou and Multi-Chem Wuxi, compared to just eight CNC drilling machines when it commenced operations. During 2004, the Group extended its capability to laser drilling services in order to further value add to customers.

Since the move to China, the Group has expanded its customer base to include many of the top PCB manufacturers in the world operating in China, including WUS Printed Circuits, Chin Poon, Global-Flex (part of the Vertex Group), AT&S, Sanmina, CMK, Tripod and Gold Circuits, adding to the customers we already have in South East Asia. Given that the Chinese electronics industry continues to show strong growth, the Group will continue to focus on building its China operations.

Despite the Group's expansion in China, Multi-Chem continues to be the Group's headquarters and still houses the most advanced CNC drilling machines and inspection equipment to service the high end PCB manufacturers based in Singapore. As at 31 December 2004, the Company had 48 CNC drilling machines. The Group has since added six more CNC drilling machines, with spindle speed of up to 200,000 rpm, bringing the number in Singapore to 54.

In 2002, the Group, through the M.Tech companies, diversified into the area of IT security in Singapore and Malaysia. During 2004, we increased our geographical coverage to include China and Indonesia, adding to our presence in Singapore, Malaysia, Thailand and Vietnam. We also ventured into internet storage as a supplier of Network Appliance solutions for the Thailand market. In 2004, the M.Tech companies made up close to 30% of the Group's revenue and carry 14 industry leading internet security products.

Financial Performance

I am pleased to report that the Group achieved significantly better performance in 2004 compared to 2003. The Group registered an increase in turnover of some 56%, from $34.0M in 2003 to $53.0M in 2004. Comparing the fourth quarter of 2003 to fourth quarter of 2004, turnover grew by 26%, from $11.1M to $13.9M.

The better turnover performance was mainly due to the improvement in the electronics business in 2004, particularly in the first three quarters of the year, contribution from the first full year of routing services operations as well as growth in the IT distribution business. Geographically, 50% of the Group's turnover is derived from Singapore, which remains as the Group's most important market, while China and ASEAN accounted for 30% and 20% respectively of the Group's turnover. Turnover from the Manufacturing Services Division made up about 55% of Group turnover in 2004, up from 53% in 2003, while contribution from the M.Tech companies made up about 30% of Group turnover in 2004, up from 24% in 2003. Despite the absolute growth in the PCB distribution business, this business accounted for only 15% of the Group's turnover, down from 22% in 2003, mainly due to the better growth in the other two businesses.

Profit before tax increased from $2.9M in 2003 to $9.7M in 2004, an increase of 234.5%. This was due to better gross profit, mainly due to economies of scale from higher utilisation particularly in the first three quarters of 2004. The Group achieved profit before tax of $1.6M in the fourth quarter of 2004 against $2.1M in the fourth quarter of 2003, a decrease of 24%. This was due to the slowdown experienced in the fourth quarter of 2004 resulting in lower utilisation and lower margins.

Financial Position

The Group has kept its balance sheet strong and maintained a healthy financial position. As at 31 December 2004, the net working capital of the Group stood at $9.5M while gearing stood at 25%. Included in net current assets of $9.5M were cash and fixed deposits of $5.0M. Shareholders' funds stood at approximately $45.0M.

Dividends

The Directors are pleased to recommend a first and final dividend of 1.584 cents per ordinary share less tax which would amount to a dividend rate of 31.7%, a dividend yield of 5.6% and a net dividend payout of 47.6%.

Business Outlook

Despite the slowdown in the fourth quarter of 2004, there is still much optimism in the electronics outlook. Companies are investing again and inventory buildup in 2004 is nowhere near the levels of the prior three years. Many of the Group's customers, such as Aspocomp and CMK have also announced expansion in China. In the US, the North American PCB Industry book-to-bill ratio for January 2005 climbed to 1.08 from 0.96 in November 2004. A ratio of more than 1.00 suggests that current demand is ahead of supply, which indicates probably near term growth. As such, there is much reason to believe that the slowdown in the fourth quarter of 2004 is merely a consolidation phase in the electronics cycle rather than a turning point. Once excess inventory in cleared, orders are expected to start pouring in again. Hopefully, this will take place within the second quarter of 2005.

The Group moved into laser drilling during mid 2004. Laser drilling complements its existing business and provide further value added services to customers. However, this business has not picked up due to lack of demand, which went against the prior bullish indications from the same customers. Again we are expectant that demand for laser drilling services should pick up.

Multi-Chem Suzhou plans to move from its current two separate factory premises into one newly built factory of 8,700 sq m in Suzhou during mid 2005 once the new factory is ready. This factory, custom built per our requirements, will be leased to Multi-Chem Suzhou by the developer. This consolidation is expected to result in cost savings for Multi-Chem Suzhou.

The Group will continue to focus on the China market and it aims to maintain its position as the leader both in terms of capacity and technology in the area of PCB drilling and routing services. Multi-Chem currently serves most of the major PCB manufacturers in the Huadong area and we are a major drilling and routing services provider in that region. We are well positioned to increase our business as more PCB manufacturers start up production or increase volume of production in the Huadong area.

Furthermore, the trend towards outsourcing in the precision drilling of PCBs is expected to continue as PCB manufacturers increasingly recognise the benefits of outsourcing. Being a leader in this drilling and routing services, Multi-Chem is poised to benefit from the additional capacity requirements. As our customers produce more, there will also be additional demand for the products under our Distribution Division, including the specialty chemicals that we distribute.

In the IT security business, the Group intends to continue to focus on the distribution of only the top names in IT security products, and will continue to look for suitable products to add to its product suite. During 2004, the Group started M.Tech Training Centre to expand into IT security training. The Group's presence in the ASEAN region has been further enhanced with operations in Jakarta and Ho Chi Minh City commencing towards the end of 2004. The Group also established its presence in North Asia with commencement of its Shanghai operations in December 2004. These overseas offices are expected to contribute to the Group's performance in 2005. IT has become an integral part of doing business and awareness of IT has been growing. As economies and companies mature, a higher amount of the IT budget is expected to be incurred for IT security and that can only augur well for the Group.

Appreciation

On behalf of the Board of Directors, I wish to thank our management and staff for their commitment and dedication during the past year. Special thanks to my colleagues on the Board for their strong support and valuable contribution. I would like to make special mention of the contribution of the late Mr Sandy Eu as an independent Director of the Company. His enthusiasm, drive and personality will be greatly missed by all of us.

I would also like to express my sincere appreciation to our shareholders, suppliers, customers and business partners for their valued support.

We will continue to work towards improving the business and look forward to better performances in the years ahead.

Foo Suan Sai
Group Chairman & Chief Executive Officer

Report from our Operations Floor

Operations Review

The Next step profitable growth

PCB-related Business

In general, the business climate for 2004 was good as the significant positive turnaround in the business commencing in late August 2003 lasted for most of 2004. However, there was a notable decrease in demand in the fourth quarter of 2004 as orders from customers started to slow down.

Manufacturing Services Division

The recovery in the overall electronics business in late 2003 translated into demand for the Group's manufacturing services division, as demand for PCBs was sustained for most of 2004. The Group increased its capacity by 20 new CNC drilling machines during 2004 and was able to cater to the demand for production capacity. With the available capacity, the Group benefited from a ramp up in production by a few of its customers.

The Group's operations in China continues to grow due to a more diverse customer base and a net re-deployment of 13 drilling machines from Singapore to China. However, the growth in 2004 was partly affected by electricity rationing averaging about 23 hours per month in the second quarter of 2004 which affected the Group's operations in Wuxi and Loufeng (outside the Suzhou Industrial park) and resulted in stoppages in production. The Group has, during the second quarter of 2004, employed generators to address the problem.

In April 2004, the Group moved into laser drilling for microvia in China. Through the incorporation of Multi-Chem Laser Tech, the Group purchased a total of five laser drilling machines during the year. Laser drilling compliments the Group's strengths in mechanical drilling and allows the Group to drill microvia of sizes not achievable by mechanical drilling. However, the contribution from this business was affected by a slower requirement for handphone PCBs from mid 2004, lasting through to the end of the year.

In May 2004, Multi-Chem Wuxi moved into its new factory premises with a combined area of 5,345 sq m that is able to house more machines to meet the demand of its customers in the region. A custom built factory is currently being built by the local authorities in Loufeng for lease to Multi-Chem Suzhou. Multi-Chem Suzhou currently operates from two locations and the consolidation into one operating location, expected to be completed in mid 2005, is likely to bring about higher efficiency and cost savings.

During 2004, the Group further increased its customer base. As at 31 December 2004, the Group had a total of 131 drilling machines, 5 laser drilling machines and 20 routing machines. In January 2005, the Group purchased six units of 200,000 rpm CNC drilling machines for ultra microvia drilling.

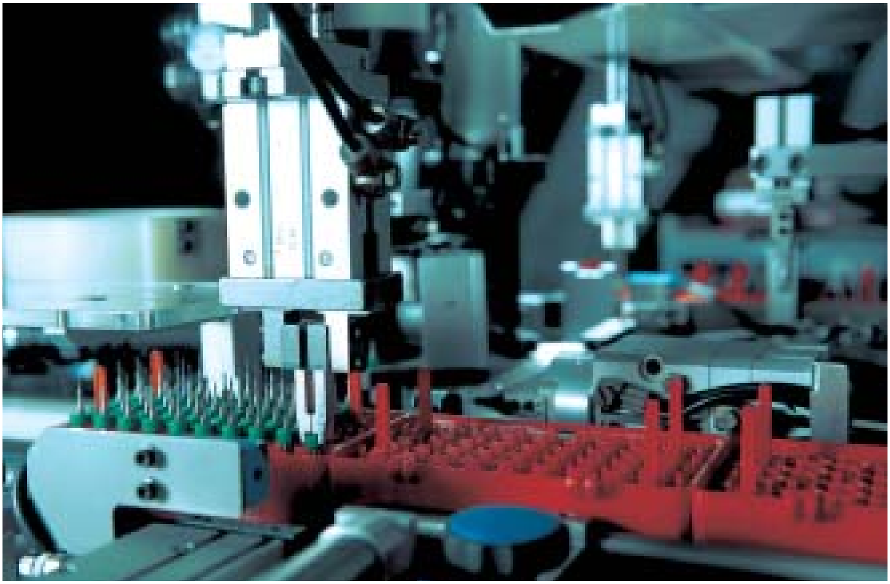
Distribution Division

PCB

The Group supplies a range of PCB specialty chemicals for the wet processes in PCB manufacturing as well as other PCB-related products, including dry film, cleaning brushes, clean room products and entry and back-up materials to our customers.

There was improvement in this business as the electronics business picked up, which resulted in our customers using more of the specialty chemicals and materials which we distribute for the manufacture of PCBs. The growth was achieved despite the loss of two major customers in the Philippines due to their closure in 2003.

Overall, as PCB manufacturers continue to shift their production to China, this business is expected to continue to experience reduction in volumes, since its operation is generally confined to South East Asia. However, the impact of such reduction would be less significant when volumes of the Group's existing customers remain high.



IT Security

Since May 2002 when the Group diversified into IT security distribution through the M.Tech companies, we have been expanding our geographical coverage and product range.

We currently have seven offices spanning the six countries of Singapore, Malaysia, Thailand, Vietnam, China and Indonesia. The recently established offices in Jakarta, Ho Chi Minh City and Shanghai, have given us the reach in Indonesia, South Vietnam and China.

M.Tech added more industry leading products to its product suite during 2004 when it was appointed regional distributor of Surfcontrol, a leader in enterprise web and email filtering. M.Tech moved into wireless security products when AirDefense and Bluesocket appointed M.Tech as regional distributor.

During 2004, M.Tech Thailand ventured into network storage solutions when it partnered Network Appliance, a leading network storage solutions provider, to distribute Network Appliance's products in Thailand. In early 2005, M.Tech was appointed regional distributor for TippingPoint, the leading network-based intrusion prevention system.

We started an IT training centre in mid 2004 and M.Tech Training Centre is currently authorised to conduct training for Nokia, Check Point and Foundstone.

The M.Tech group has a presence in six countries and carries internet security and storage products from 14 industry leading vendors.

Our Portfolio

NOKIA
Connecting People

Allot

Internet Security Systems

AirDefense

Foundry Networks

Foundstone
Strategic Security

bluesocket

Check Point
We Secure the Internet

RSA Security

NetApp
The evolution of storage

SurfControl

TRIPWIRE

TippingPoint

ServGate

Prospects and Future Plans

PCB

The outlook for the electronics industry has been buoyant over the first three quarters of 2004 and this since the pick-up in demand towards the late third quarter of 2003. While this momentum has not slackened in Singapore, the Group's operations in China saw demand slowing towards the end of the third quarter of 2004 which continued into the fourth quarter of 2004. Handset PCB makers have also felt the impact of lower demand for handset PCBs and this has in turn affected the Group's laser drilling operations. Accordingly, customers' feedback that requirements for laser drilling would pick up towards the end of the third quarter of 2004 have also not materialised.

In November 2004, the North American PCB industry book-to-bill ratio fell below parity, registering at 0.96 for the first time since April 2003. A ratio of more than 1.00 suggests current demand is ahead of supply, which indicates probable near term growth. The converse is true if the ratio is less than 1.00.

Despite the slowdown in the fourth quarter of 2004, there is still much optimism as companies are investing again and inventory buildup in 2004 is nowhere near the levels of the prior three years.

Developments over the past month have also been positive as the Group's orders are showing signs of pick-up. The North American PCB industry book-to-bill ratio has also improved to 1.08 in January 2005.

The Group will continue to serve the leading PCB manufacturers in the Shanghai, Suzhou and Wuxi regions where it is currently the leading PCB drilling and routing service provider in terms of capacity and technology. As at 31 December 2004, the Group had 83 CNC drilling machines, 5 laser drilling machines and 20 routing machines in China, and 48 CNC drilling machines in Singapore. With a diverse customer base, the Group expects to be better able to mitigate any impact in reduction in demand.

With the competitive environment in China and the high operating leverage of the manufacturing services business, a slowdown in orders is likely to have a negative impact on Group turnover and margins.

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 generate sales. However, growth is expected to be limited to the volumes of those customers. In China, the Group currently serves only one customer.

IT

For the IT distribution business, the Group, through the M.Tech companies, will continue to focus on the best-of-breed internet security products. Besides Nokia, the Group also carries security products from leading names such as Nokia, Check Point, Internet Security Systems, RSA Security, Allot, Foundry Networks, Tripwire, ServGate, AirDefense, Foundstone, Bluesocket, SurfControl and TippingPoint. In Thailand, the Group entered into the IT storage business as reseller for Network Appliance Inc., one of the leading IT storage vendors in the world.

As the respective M.Tech companies become established in their countries of operations, it was timely for further expansion and in this regard, the Group has already set up new offices in Shanghai, Jakarta and Ho Chi Minh City in the fourth quarter of 2004.

In addition to its current product business, the Group has also entered into providing training for IT security courses. Through the newly incorporated M.Tech Training Centre, the Group started its IT training program in late second quarter of 2004. M.Tech Training Centre is authorised to conduct training for Nokia, Check Point and Foundstone.

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 it carries to end users.

M.Tech's business is expected to continue to grow as awareness of internet security grows.

There have been some signs of a pick up in the electronics demand but the question remains as to whether any such pick up in demand is sustainable. The Directors are optimistic that the outlook for FY2005 is better than expected earlier in the year.

Risk Factors

The Group's primary business risk is the exposure to the electronics products segment as our customers are PCB manufacturers, most of whom will be exposed to the cyclical nature of the electronics business.

Additionally, the Group operations in China are exposed to the political, legal and economic climates of the country.

Our 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.

We are also exposed to foreign exchange risks as we mainly transact with our suppliers and customers in Singapore dollars, US dollars, Chinese renminbi, and to a lesser extent, European euro and Malaysian ringgit. The Company may, from time to time, enter into borrowing and foreign exchange arrangements as currency hedges.

As the Group has expanded into the distribution of IT security products, we are exposed to the risks of product obsolescence in respect of the hardware we carry. The Group aligns itself with the leading names in the IT security 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 such products on a quarterly basis and will make provisions where necessary.

Significant Events

CORPORATE CALENDAR

January 2004	Multi-Chem transferred 100,000 ordinary shares of $1.00 each in its subsidiary, M.Tech Singapore at par to a key staff for cash. Following the transfer, the Company now holds 80% of the issued and paid-up capital of M.Tech Singapore.
February 2004	The Company was ranked 3rd out of 21 companies that released their full year results for FY2003 during January and the beginning of February 2004 in The Business Times Corporate Transparency Index.
March 2004	M.Tech Singapore named Nokia distributor of the year 2003 (SE Asia). Commencement of M.Tech Training Centre, a 70%-owned subsidiary of M.Tech Singapore, to provide certified IT courses. Incorporation of Multi-Chem Laser Tech to provide laser drilling services to key customers in China.
April 2004	M.Tech Thailand appointed as distributor for Network Appliance in Thailand, extending its product reach into network storage. Multi-Chem ranked 8th out of 336 listed companies in The Business Times Corporate Transparency Index for company's announcing results for the year ended 31 December 2003.
May 2004	Multi-Chem Wuxi moved into its new factory premises with a combined area of 5,345 sq m.
June 2004	M.Tech appointed distributor for Foundstone. M.Tech appointed distributor for AirDefense, moving into wireless security products. M.Tech Training Centre qualified as an Authorised Training Centre for Nokia and Check Point courses.

August 2004

Increase in share capital of M.Tech Thailand from Baht7.5m to Baht10m.

M.Tech appointed as distributor for Bluesocket, a wireless product complementary to AirDefense.

December 2004

M.Tech Indochina expanded into South Vietnam by the setting up of a new representative office in Ho Chi Minh City.

M.Tech China opened new office and service centre in Shanghai, establishing its presence in China.

M.Tech Indonesia opened a new office in Jakarta and established a presence in Indonesia.

M.Tech appointed as regional distributor for SurfControl, leader in enterprise web and email filtering.

January 2005

M.Tech appointed as regional distributor for TippingPoint, the leading network based intrusion prevention system.

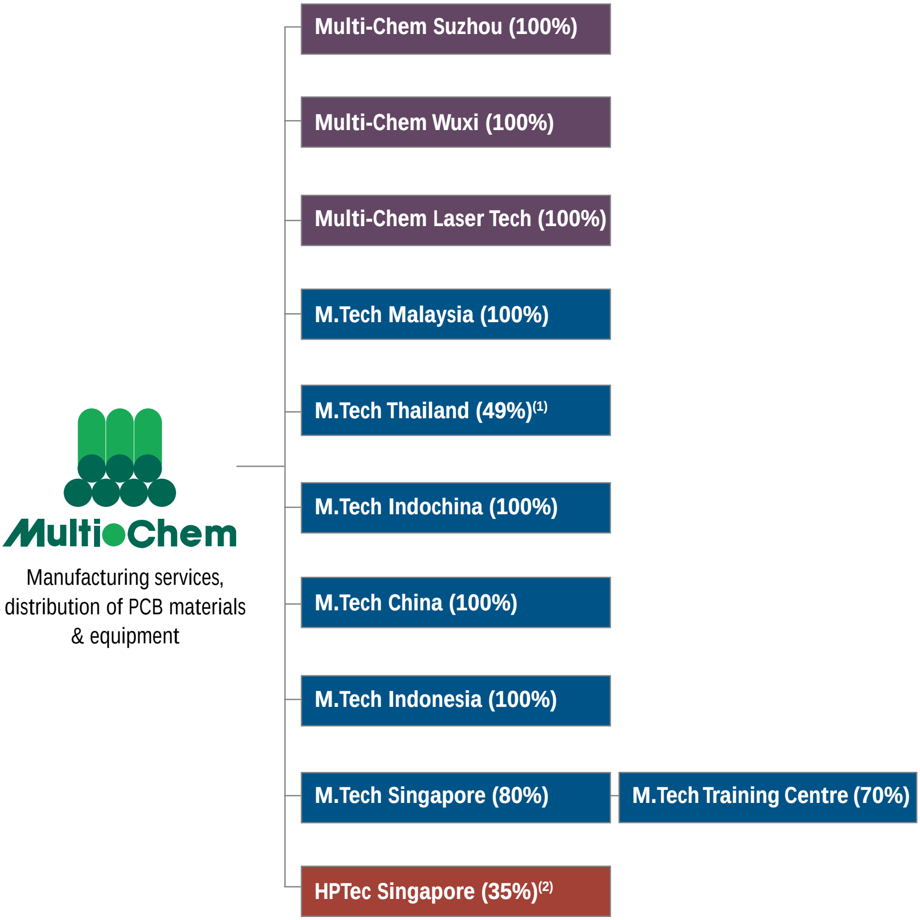
Multi-Chem purchased 6 units of 200,000 rpm CNC drilling machines for ultra microvia drilling.

Multi-Chem ranked 11th out of 570 listed companies in The Business Times Transparency Index for companies announcing results for the financial year ended between 31 December 2003 and 30 September 2004.

FINANCIAL CALENDAR

30 July 2004	Announcement of 2004 half-year results
29 October 2004	Announcement of 2004 3rd quarter results
28 January 2005	Announcement of 2004 full-year results
29 April 2005	Annual General Meeting
29 April 2005	Announcement of 2005 1st quarter results
11 May 2005	Books closure date
20 May 2005	Payment date of 2004 final dividend on ordinary shares
July 2005	Announcement of 2005 half-year results
October 2005	Announcement of 2005 3rd quarter results
January 2006	Announcement of 2005 full-year results

Group Structure



Dormant Companies

Under Multi-Chem:
- SecureOneAsia (100%)
- M-Precision (100%)
- Multi-Chem Philippines (50%)

Under HPTec Singapore:
- HP Thailand (49%)
- HPTec HK (100%)

- Manufacturing services
- IT Security
- Distributor of PCB tools

(1) M.Tech Thailand deemed to be a wholly owned subsidiary as the Company controls 100% of the voting rights and its financial and operating policies.

(2) HPTec, a PCB tool manufacturer based in Germany, holds 65% of HPTec Singapore.

Information on Employees

The Group believes that our employees are key resources and we aim to recognise and reward capable and dedicated staff. Rewards are linked directly to employee's performance, contribution to the company and responsibility level. Promising employees are given the opportunity to work for a period in our overseas subsidiaries to further enhance their experience.

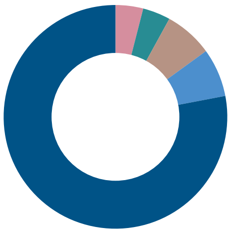
The Group conducts yearly appraisal to evaluate the performance of staff and provides staff with a sense of self-awareness to undertake training that will improve their skills and abilities.

The Manufacturing Services Division is in a business which is capital intensive and that further requires our employees to have the necessary knowledge in operating the machinery and equipment. Selected employees are sent for training conducted by machine manufacturers to learn about the operations, capability and maintenance of the equipment. In the Distribution Division, selected employees are sent for training by our principals, as well as attached to our customers' production lines in the region for on-the-job training. The employees of the M.Tech group are also given regular product updates and technical training both in-house and by our principals.

The amount spent on employees providing them with on-the-job training, in-house and external training amounted to approximately $50,000.

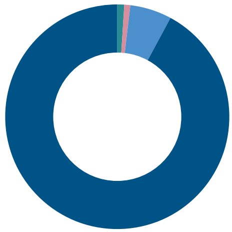
During the year, M.Tech Singapore participated in the internship programme of a local polytechnic to give students a stint with a local corporate before they step into the working world, providing 17 weeks of training for this purpose.

Reward capable and dedicated staff



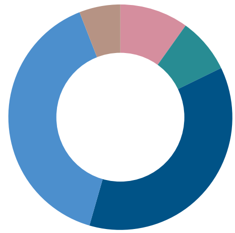
BREAKDOWN BY JOB GROUP

Managerial	4%
Sales	4%
Engineering	7%
Administrative	7%
Technical & others	78%



BREAKDOWN BY YEARS OF SERVICE

10 yrs or more	1%
6 to 9+ yrs	1%
3 to 5+ yrs	6%
Less than 3 yrs	92%



BREAKDOWN BY EDUCATIONAL QUALIFICATION

Degree & above	10%
Diploma & equivalent	8%
O' & A' level & equivalent	36%
Trade certificate & equivalent	40%
Secondary level & lower	6%


SIAS
SIAS INVESTORS' CHOICE
AWARDS 2004
MOST TRANSPARENT
COMPANY AWARD
RUNNER-UP
Multi-Chem Limited

Investor Relations

The Company has been keeping shareholders and the investing community updated on the key developments of the Group through regular announcements on MASNET. These announcements can also be found in Chinese under http://ir.zaobao.com/multichem in the Zaobao.com website.

Multi-Chem has always made efforts to announce our results early. To facilitate a better understanding of the Group's results, plans and prospects, we held an analysts cum press meetings on 28 January 2005 to announce our full-year results for 2004. The presentation slides on our full-year results and investor on-line Q&A session with management were also made available in the Shareinvestor.com website. Our quarterly results announcements are well within the mandatory period.

Multi-Chem was awarded the runner-up for the Most Transparent Company Award under the Mainboard Small Caps (of up to $100M) Category in the SIAS Investors' Choice Awards 2004. In January 2005, Multi-Chem was ranked 11th out of 570 companies in The Business Times Corporate Transparency Index for companies announcing results for the financial year ended between 31 December 2003 and 30 September 2004, the fourth year running that the Company was ranked among the top 20.

The Company regularly updates its website www.multichem.com.sg with its new development while its IT Security arm has its own website www.mtechpro.com to provide information on its products and services.

In order to reach out to our existing and potential investor, the Company participated in the SGX-MAS Research Incentive Scheme in which two research firms are assigned to furnish two results reports and two update reports for us. These reports are posted on the SGX website www.sgx.com/research for easy and free access by investors. The Company also participated in The Lianhe Zaobao Investors' Guide that was published on 13 April 2004.

We will continue to place emphasis on good investor relations and make efforts on improving the information flow so that awareness about Multi-Chem and its subsidiaries can be build.

Financial Highlights

GROUP BALANCE SHEET

AS AT 31 December ($'000)	2004	2003	2002	2001	2000
Property, plant and equipment	**40,664**	33,059	26,898	30,823	34,956
Investment in an associated company	**2,082**	1,835	2,711	4,129	2,995
Investment in a joint venture	**-**	-	1,182	1,203	-
Other investments	**150**	351	351	461	495
Other receivables and intangibles	**-**	-	32	348	618
Current assets	**23,029**	24,110	27,246	25,421	37,878
Current liabilities	**(13,568)**	(11,107)	(11,601)	(9,575)	(14,796)
Net current assets	**9,461**	13,003	15,645	15,846	23,082
Borrowings	**(6,298)**	(6,015)	(3,174)	(7,128)	(13,994)
Deferred income tax liabilities	**(626)**	(1,130)	(1,530)	(2,630)	(2,590)
Other payables	**-**	-	(440)	(769)	-
	45,433	41,103	41,675	42,283	45,562
Share capital	**15,783**	15,674	15,863	16,500	16,500
Reserves	**29,135**	25,261	25,693	25,783	29,062
Shareholders' equity	**44,918**	40,935	41,556	42,283	45,562
Minority interest	**515**	168	119	-	-
	45,433	41,103	41,675	42,283	45,562

GROUP PROFIT & LOSS

Year Ended ($'000)	2004	2003	2002	2001	2000
Turnover	**53,002**	34,041	26,698	23,047	30,031
Gross profit	**17,610**	10,144	6,413	3,179	10,343
Other income including interest income	**621**	1,002	893	1,835	3,641
Earnings before interest, tax, depreciation & amortisation, foreign exchange gain	**16,387**	10,002	82,143	8,160	13,687
Depreciation & amortisation	**(6,497)**	(5,665)	(6,480)	(7,337)	(4,706)
Foreign exchange (loss)/gain	**(231)**	(140)	110	634	792
Profit from operations	**9,659**	4,197	1,843	1,457	9,773
Finance costs	**(174)**	(771)	(762)	(752)	(153)
Share of results from associated company/joint venture	**241**	(504)	906	1,585	1,817
Profit before tax	**9,726**	2,922	1,987	2,290	11,437
Income tax expense	**(1,170)**	(734)	(373)	(448)	(2,261)
Profit after tax	**8,556**	2,188	1,614	1,842	9,176
Minority interests	**(148)**	(49)	(9)	-	-
Net profit attributable to shareholders	**8,408**	2,139	1,605	1,842	9,176

ANALYSIS (%)

	2004	2003	2002	2001	2000
Gross profit margin	**33.0**	30.0	24.0	14.0	34.0
PBT margin	**18.0**	9.0	7.0	10.0	38.0
Turnover growth	**55.7**	27.5	15.8	(23.3)	39.1
Operating profit growth	**176.9**	216.9	53.3	(92.7)	28.2
Net profit growth	**293.1**	33.3	(12.9)	(79.9)	16.4

GROUP CASH FLOW STATEMENT

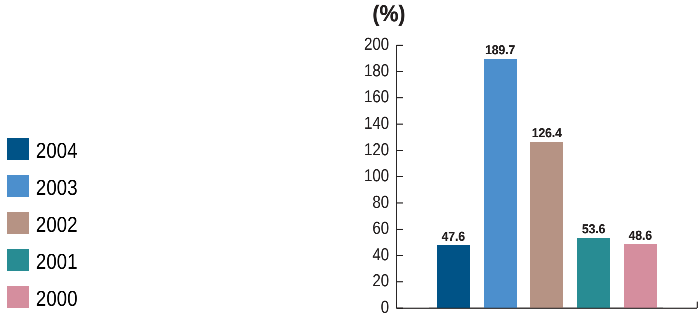
Year Ended ($'000)	2004	2003	2002	2001	2000
Cash flows from operating activities	**15,897**	6,501	9,003	(1,134)	11,354
Cash flows from investing activities	**(1,266)**	(6,291)	737	(3,449)	(25,419)
Cash flows from financing activities	**(17,955)**	(7,561)	(7,544)	(10,440)	41,133
Net (decrease)/increase in cash and cash equivalents	**(3,324)**	(7,351)	2,196	(15,023)	27,068
Cash and cash equivalents at beginning of the financial year	**8,611**	15,972	13,468	28,496	1,431
Effect of exchange rate changes on cash and cash equivalents	**(293)**	(10)	308	(5)	(3)
Cash and cash equivalents at end of the financial year	**4,994**	8,611	15,972	13,468	28,496

PER SHARE DATA

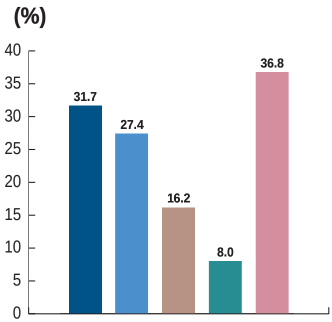
(cents, unless otherwise stated)	2004	2003	2002	2001	2000
Net earnings (basic) (1)	**2.66**	0.68	0.50	0.56	2.82
Net earnings (fully diluted) (2)	**2.50**	0.66	0.49	0.55	2.60
Gross dividend	**1.58**	1.37	0.81	0.40	1.84
Net dividend	**1.27**	1.29	0.63	0.30	1.37
Net assets value (3)	**14.23**	13.06	13.10	12.81	13.81

Notes:

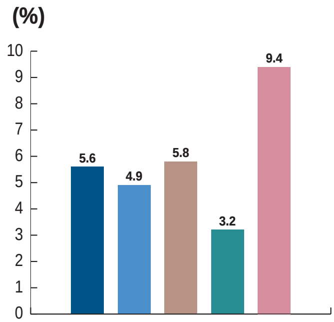
(1) Number of shares used in the above computation	**315.7M**	314.9M	324.0M	330.0M	325.5M
(2) Number of shares used in the above computation	**335.8M**	323.2M	326.7M	335.2M	353.0M
(3) Number of shares used in the above computation	**315.7M**	313.5M	317.3M	330.0M	330.0M



Net Dividend Payout



Dividend Rate



Dividend Yield

FINANCIAL RATIOS

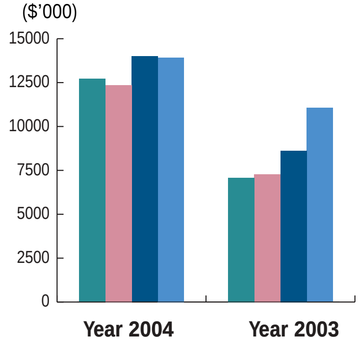
	2004	2003	2002	2001	2000
Current ratio (times)	**1.70**	2.19	2.35	2.65	2.56
Return on shareholders' funds (%)	**18.72**	5.23	3.86	4.36	20.14
Return on assets employed (%)	**12.75**	3.60	2.75	2.95	11.93
Debt equity ratio (4)	**0.25**	0.28	0.26	0.36	0.55
Debt interest cover (5)	**3.16**	1.53	1.21	1.18	1.48

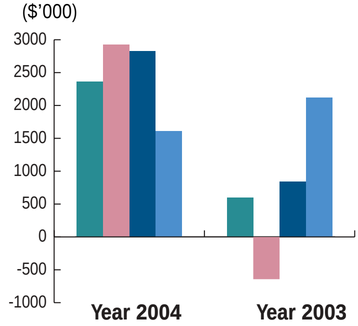
(4) Debt equity ratio for 2003 and 2004 include convertible notes. Debt equity ratio exclusive of convertible notes would be 0.18 (2003:0.20).

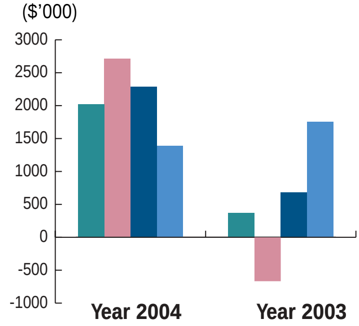
(5) Company fully repaid the transferable loan facility in October 2003.

QUARTERLY RESULTS

Year Ended ($'000)	2004	2003	change
Turnover			
First Quarter	**12,720**	7,085	80%
Second Quarter	**12,361**	7,276	70%
Third Quarter	**13,993**	8,622	62%
Fourth Quarter	**13,928**	11,058	26%
	53,002	34,041	56%
Profit/(loss) before tax			
First Quarter	**2,365**	600	294%
Second Quarter	**2,923**	(643)	555%
Third Quarter	**2,826**	843	235%
Fourth Quarter	**1,612**	2,122	-24%
	9,726	2,922	233%
Profit/(loss) after tax			
First Quarter	**2,018**	368	448%
Second Quarter	**2,715**	(667)	507%
Third Quarter	**2,287**	682	235%
Fourth Quarter	**1,388**	1,756	-21%
	8,408	2,139	293%





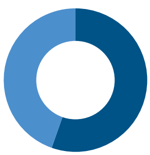


SEGMENTAL RESULTS

Year Ended ($'000)	2004		2003	
	Turnover	Operating profit	Turnover	Operating profit
By Activity				
Manufacturing services	**29,354**	**7,963**	18,507	3,536
Distribution	**23,648**	**1,696**	15,534	661
	53,002	**9,659**	34,041	4,197
By Geographical Region				
Singapore	**26,232**	**5,238**	18,885	1,433
Asean	**10,768**	**67**	6,050	1,067
China	**16,002**	**4,354**	9,106	1,697
	53,002	**9,659**	34,041	4,197

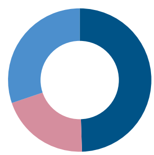
2004 Turnover by Activity

- Manufacturing - 55%
- Distribution - 45%



2004 Turnover by Geographical Region

- Singapore - 50%
- Asean - 20%
- China - 30%



Debt Financing Structure

As At 31 December 2004	Loans	Banker's Guarantees	Letter of Credit	Total Facilities
In dollar terms (S$'000)				
Amount available for drawdown	14,154	20	3,898	18,072
Amount utilised	3,054	20	3,898	6,972
Balance unutilised	11,100	-	-	11,100
In percentage terms (%)				
Amount available for drawdown	78	-	22	100
Amount utilised	22	100	100	39
Average effective cost of debts during the year 2004				3.68
Interest coverage ratio				
Net profit before interest and tax (S$'000)				9,900
Interest expenses (S$'000)				174
Interest coverage ratio				56.90

Financial Review

TURNOVER

For the year ended 31 December 2004 (“FY2004”), the Group achieved a turnover of $53.0M, an increase of 55.7% or $19.0M, compared to $34.0M for the year ended 31 December 2003 (“FY2003”).

Comparing the three months ended 31 December 2004 (“4Q2004”) to the three months ended 31 December 2003 (“4Q2003”), the Group’s turnover increased by 26.0% or $2.9M, from $11.1M to $13.9M.

Manufacturing Services Division

Turnover in this Division increased by 58.6% or $10.9M, from $18.5M in FY2003 to $29.4M in FY2004. In 4Q2004, this Division achieved a turnover of $7.2M, a marginal increase of 1.1% over the turnover of $7.1M recorded in 4Q2003.

Comparing FY2004 to FY2003, the significantly better turnover performance was mainly due to the recovery in the electronics business that commenced in late 3Q2003 and that the momentum was sustained through most of FY2004. This translated into demand for manufacturing services for PCBs.

Of the $10.9M increase in turnover in FY2004, the China and Singapore operations of the Group contributed an increase of $6.5M and $4.8M respectively, offset by the loss in contribution of approximately $471,000 in FY2003 from the shut down of the Group’s Malaysia operation in October 2003.

In addition to the strong demand for electronics business for the most part of FY2004, the better showing in China was also due to a more diverse customer base in China and an increase in drilling machine capacity from an average of 53 machines in FY2003 to an average of 82 machines in FY2004. The Group is also able to provide PCB routing service and laser drilling services in China. The PCB routing service business, which commenced in May 2003, and laser drilling service business, which commenced in April 2004 contributed a combined turnover of $1.7M in FY2004.

Turnover in this Division accounted for approximately 55.4% of the Group’s turnover in FY2004. Contribution from the Group’s Singapore manufacturing services operation remained significant. In FY2004, the Group also benefited from a ramp up in production by a few of its Singapore customers.

Despite the strong showing in FY2004, there has been a notable slowdown in demand for our manufacturing services in 4Q2004, with indications from our customers that orders from their customers have slowed down. Comparing 4Q2004 to 3Q2004, turnover for manufacturing services in China decreased by 23.1%, from $3.9M to $3.0M, which is indicative of the declining trend. Since mid 2004, laser drilling service business was affected by a slower requirement for handphone PCBs from our customers in China.

Distribution Division

Turnover in this Division increased by 52.3% or $8.1M, from $15.5M in FY2003 to $23.6M in FY2004. Turnover in the Division accounted for approximately 44.6% of the Group’s turnover in FY2004. On a quarterly basis, this Division recorded a turnover of $6.8M in 4Q2004, compared to $4.0M in 4Q2003, an improvement of $2.8M or 70.0%.

The better performance was achieved mainly due to the growth in the Group's IT security business. In addition, the business of distribution of PCB-related products also achieved a modest growth.

PCB

Turnover for distribution of PCB-related products grew by a marginal 4.4% or $326,000, from $7.4M in FY2003 to $7.7M in FY2004. This was mainly due to the pick-up in the electronics business resulting from which (particularly in the first half of 2004) our customers used more of the specialty chemicals and materials which we distribute in the manufacture of PCBs. The modest growth in turnover was achieved despite the loss of two major customers in the Philippines due to factory closure in June 2003.

While there was a marginal improvement in turnover for this business for the full year, this was not the case for 4Q2004. Comparing the performance of 4Q2003 to 4Q2004 for this business, turnover decreased by 9.7% or $194,000, from $2.0M to $1.8M. On a sequential basis, turnover decreased by 5.3% from $1.9M in 3Q2004 to $1.8M in 4Q2004.

IT

Turnover in the distribution of IT security products increased by 96.3% or $7.8M, from $8.1M in FY2003 to $15.9M in FY2004.

The increase was largely due to a wider range of complementary products carried by the Group which now carries 14 market leading IT security products compared to 8 a year ago, and the growth of the regional businesses.

The Singapore operations contributed an increase of $4.2M to turnover, representing 53.8% of the total increase of $7.8M in FY2004. Turnover from the regional businesses increased from $1.9M in FY2003 to $5.5M in FY2004 due to the growth in the business in Malaysia and Thailand, which were set up in mid 2003.

PROFIT BEFORE TAX

The Group reported a PBT of $9.7M in FY2004, compared to a PBT of $2.9M reported in FY2003, a growth of 234.5% or $6.8M.

The increase in PBT in FY2004 over that achieved in FY2003 was mainly due to the following reasons:

(1) An increase in turnover in the high operating leverage Manufacturing Services Division, which led to better utilisation of machines and economies of scale, translating into a better gross margin for the Group;

(2) A reduction in interest on borrowings of $597,000, from $771,000 in FY2003 to $174,000 in FY2004, as the transferable loan was fully repaid in October 2003;

(3) A provision of diminution in investment of $1.1M in FY2003 compared to a write back of $272,000 on the amount recovered in FY2004; and

(4) A share of income from associate of $241,000 in FY2004 compared to a share of losses of $406,000 in FY2003.

The improvement in PBT in FY2004 over FY2003 was achieved due mainly to the strengths of the first 3 quarters of FY2004. On a quarterly basis, PBT decreased by 24.3% or $510,000, from $2.1M in 4Q2003 to $1.6M in 4Q2004. Comparing 4Q2004 to 3Q2004, the Group's PBT decreased by 42.9% from $2.8M to $1.6M.

This decrease in PBT in 4Q2004 was largely due to the following:

(1) A slowdown in the PCB-related businesses and the lower turnover resulted in lower gross margins, which fell by 8 percentage points between 4Q2003 and 4Q2004 and by 1 percentage point between 3Q2004 and 4Q2004;

(2) Payroll-related expenses which amounted to an increase of 56% mainly due to the payment of year end bonuses to a larger headcount (from the expansion of regional businesses) and the directors' share of profits due to attainment of the profit target, as provided for in their respective service agreements; and

(3) The loss on disposal of fixed assets amounting to $338,000, mainly due to the disposal of the factory building in Senai, Malaysia compared to a loss of $43,000 in 4Q2003.

PROFIT AFTER TAX

The Group achieved a PAT of $8.4M in FY2004 compared to a PAT of $2.1M in FY2003, an increase of 293.2%. On a quarterly basis, Group PAT decreased, from $1.8M in 4Q2003 to $1.4M in 4Q2004. The fluctuations were largely in line with the changes in PBT for the respective periods.

Provision for tax comprised mainly of income tax and deferred tax of the Company and its subsidiaries. Multi-Chem Wuxi is currently enjoying tax-free status on profits while Multi-Chem Suzhou is enjoying tax-free status on 50% of its profits.

Balance Sheet Review

Below is a review of material changes in key balance sheet items for the year ended 31 December 2004.

Cash and cash equivalents of the Group decreased from $8.6M to $5.0M for the year under review. At the Company level, cash and cash equivalents decreased from $7.6M to $1.4M. The decrease at both the Group and Company level was mainly due to dividends paid of $4.1M and payment for the new routing and drilling machines.

Trade and other receivables of the Company increased from $13.8M to $17.7M mainly due to inter-company sales of drilling machines and laser drilling machines, offset by the settlement of the receivables from M-Precision. At the Group level, trade and other receivables increased from $12.9M to $15.0M which is reflective of the higher turnover, particularly due to the expansion of the Group's China operations and IT security business.

Other current assets of the Company comprised of deposit paid for power supply and prepayment made to suppliers. At the Group level, the increase of $131,000 was mainly due to prepayment made to suppliers and deposit paid for a factory in Suzhou.

Inventories held at Company level increased from $949,000 to $1.3M mainly due to the increase in PCB related chemicals to meet the increase in demand from our customers in China. The increase at group level is due to the increase at company level offset by the marginal decrease in IT stock of $63,000 and provision for inventory obsolescence of $46,000.

Investment in associate increased from $1.8M to $2.1M due to profit equity accounted for. No payment of dividend was made by the associated company.

Investment in subsidiaries increased from $17.1M to $18.6M as the company invested $1.3M in its new subsidiary, Multi-Chem Laser Tech and invested additional capital in its IT business in Malaysia and Thailand.

Property, plant and equipment increased from $33.1M to $40.7M for the Group and from $11.4M to $17.2M for the Company mainly due to the addition of new CNC drilling machines and laser drilling machines in both China and Singapore.

Trade and other payables increased from $4.8M to $6.8M for the Company mainly due to an increase in the amount owing to its suppliers resulting from the higher business volume. The increase at group level is mainly due to the increase at company level.

Current income tax liabilities increased from $1.1M to $1.7M due to the expected increase in tax arising from the higher profitability of the Group.

Deferred tax liabilities reversed by $504,000 mainly due to less timing differences as the Company disposed most of the fully tax written off fixed assets to its China's subsidiaries in first half of 2004.

Borrowings comprised of:

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Bills payable	3,898	4,892	3,898	4,892
Bank borrowings	2,451	3,054	-	-
Convertible notes	3,183	3,183	3,183	3,183
Finance lease liabilities	1,782	240	1,782	217
	11,314	11,369	8,863	8,292
Represented by:				
Current (within one year)	5,016	5,354	4,199	4,992
Non-current	6,298	6,015	4,664	3,300
	11,314	11,369	8,863	8,292

1) **Bills payable** decreased by $994,000 from $4.9M to $3.9M mainly due to the repayment amounting to $1.4M in 4Q2004, offset by the financing on the purchase of new CNC drilling machines and laser drilling machines during the year .

2) **Bank borrowings** comprises of the long term loan with a principal amount of US$2.0M taken by the Company's Suzhou subsidiary, Multi-Chem Suzhou to finance machinery purchases.

3) **Convertible notes** referred to the exchangeable and convertible notes in the aggregate amount of US$2.0M issued by the Company in June 2003.

4) **Finance lease liabilities** increased mainly due to purchase of drilling machines from an associated company in 4Q2004.

Value Added Statement

	2004 $'000	2003 $'001
Sales	53,002	34,041
Purchase of goods & services	(30,106)	(19,967)
Value added from operations	22,896	14,074
Other operating income	621	1,002
Impairment charge in value of investment in joint venture	-	(1,084)
Share of results of associated company before tax	241	(406)
Share of results of joint venture before tax	-	(98)
	23,758	13,488
Distribution		
To employees in salaries & other staff related costs	7,361	4,241
To government in corporate and other taxes	1,170	734
To providers of capital		
- Finance costs	174	771
Retained in the business		
- Depreciation	6,497	5,554
- Minority interests	148	49
- Retained profits	8,408	2,139
	23,758	13,488
Productivity Data		
Average numbers of employees	567	317
Sales per employees ($'000)	93	107
Value added per employee ($'000)	40	44
Value added per $ employment cost	3.11	3.32
Value added per $ net sales	0.43	0.41

Corporate Governance Report

Corporate governance refers to the processes and structure by which the business and affairs of the Company are directed and managed. The Board recognises that sound corporate governance is an essential part of good business practices and corporate accountability. Accordingly, the Company has adopted measures and practices set out in the Best Practices Guide and the Code of Corporate Governance issued by the Singapore Exchange.

BOARD OF DIRECTORS

The Board's Conduct of its Affairs

The Board meets regularly on a quarterly basis and is responsible for the Group's overall business direction, management and internal control, approval of major projects and significant financing matters, and approval of the release of the quarterly reports. When circumstances require, the Board will arrange for telephonic and videoconference meetings.

There will be at least one meeting of board members without the presence of the Chief Executive Officer. The number of board meetings held during the year and the attendance of every board member at the Board and committees meetings are disclosed as follows:

Name	Board		AC			NC			RC		
	Number Held	Number Attended	Member	Number Held	Number Attended	Member	Number Held	Number Attended	Member	Number Held	Number Attended
Foo Suan Sai	4	4	-	-	-	✓	1	1	-	-	-
Han Juat Hoon	4	4	-	-	-	-	-	-	-	-	-
Toshiaki Suzuki (1)	4	4	✓	-	-	-	-	-	✓	2	2
Wong Meng Yeng (2)	4	4	✓	5	5	✓	-	-	✓	2	2
Chew Thiam Keng	4	4	✓	5	5	✓	1	1	✓	2	2

(1) Appointed as member of AC on 1 February 2005
(2) Appointed as member of NC on 27 January 2005

The Board has adopted a set of internal controls which sets out that the Board approval has to be sought for transactions not in the ordinary course of business if such transaction exceeds $2.0M in value. To facilitate operational efficiency, the Board approval would not be required for day-to-day decisions and matters that are operational in nature, even though such single transaction may exceed $2.0M in value.

The Company works closely with the professional corporate secretarial firm, FMG Corporate Services Pte Ltd, to provide the Board with regular updates of the latest governance and listing policies. The Board is also updated regularly concerning any changes in company policies, relevant new laws, regulations and changing commercial risks.

Newly appointed Directors are given briefings on the business activities of the Group, its strategic directions and governance practices. There will generally be no training for the newly appointed directors as they are expected to have the relevant experience prior to their appointment.

Board Composition and Balance

The Board consists of five members out of which three are non-executive, two of whom are independent Directors. The independence of each Director is reviewed annually by the NC which was formed on 2 December 2002. An independent Director shall notify the Company Secretary immediately of any change in circumstances that may result in him not being able to meet the criteria for independence. The Board may, after considering the change in circumstances, require the resignation of the Director.

The NC is of the view that Mr Wong Meng Yeng and Mr Chew Thiam Keng are independent as at the date of this Annual Report and their experience in finance, business and law enable them to exercise objective judgement on corporate affairs independently. No individual or small group of individuals dominate the Board's decision making process.

The Board is of the view that its size is appropriate for effective decision making taking into account the scope and the nature of the operations of the Company.

Role of Chairman and Chief Executive Officer

Mr Foo Suan Sai is both the Chairman and Chief Executive Officer. He is also an Executive Director.

The Board is of the opinion that currently, there is no need to separate the role of the Chairman and Chief Executive Officer taking into account the size, scope and the nature of the operations of the Company. As a principle of good corporate governance, the Board has set the condition that the Company should have separate persons as Chairman and Chief Executive Officer when the Company's turnover exceeded S$100M.

The role of the Chairman pertaining to Board proceedings includes:

- Scheduling of meetings that enables the Board to perform its duties while not interfering with the flow of the Company's operations;
- Preparing meeting agenda;
- Exercising control over quality, quantity and timeliness of the flow of information between management and the Board; and
- Assisting in ensuring compliance with the Company's guidelines on corporate governance.

Access to Information

In order to ensure that the Board is able to fulfil its responsibilities, the Company circulates the reports relating to operational and financial performance of the Group and Company prior to the Board meetings held quarterly. The reports are also available upon request. Where a physical meeting is not possible, timely communication with members of the Board is effected through electronic means which include electronic mail and teleconferencing.

The Directors have also been provided with the phone numbers and email particulars of the Company Secretary for separate and independent access.

The Board will refer issues to the AC for opinion on whether any independent advice is necessary. Should any independent advice be required, the cost of such professional advice will be borne by the Company.

The role of the Company Secretary was clearly defined and reported to the Board on 6 January 2003. It includes responsibility for ensuring Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary shall attend all Board Meetings.

BOARD COMMITTEES

Board Membership

The NC comprises Mr Chew Thiam Keng as Chairman, and Mr Foo Suan Sai and Mr Wong Meng Yeng as members. A majority of the NC is independent.

The NC has a written terms of reference that describe its responsibilities, which include maintaining an effective Board and ensuring that only competent individuals capable of contributing to the success of the Company are appointed. Where new appointments are required, the NC will consider recommendations for new Directors, review their qualifications and meet with such candidates before a decision is made on a selection. The NC also promotes transparency in the selection and appointment of new Board members as well as their subsequent re-nomination/re-election.

A member who wishes to retire or resign should provide sufficient notice to the Company so that a replacement may be appointed before he leaves. In the event of any vacancy in the NC, the Company shall endeavour to fill the vacancy within two months, but in any case not later than three months.

In reviewing for re-nomination/re-election, NC has to consider criteria such as the Director's contribution and performance, attendance, preparedness, participation and candour and if applicable, assessment of the Director's independence. The Committee should also decide whether the Director under review has been adequately carrying out his/her duties as Director of the Company.

All Directors have to submit themselves for re-nomination/re-election at regular intervals or at least every three years in accordance with the Company's Articles of Association.

As at 31 December 2004, the Directors of the Company are as follows:

Name	Age	Position	Date of initial appointment	Date of last re-election
Foo Suan Sai	51	Chairman	30 Sep 1988	-
Han Juat Hoon	48	Executive Director	16 May 1987	30 Apr 2004
Toshiaki Suzuki	71	Non-executive Director	5 Jan 2000	30 Apr 2004[1]
Wong Meng Yeng	46	Independent Director	5 Jan 2000	30 Apr 2004
Chew Thiam Keng	43	Independent Director	5 Jan 2000	19 May 2003

(1) Mr Toshiaki Suzuki was re-appointed as a Director of the Company pursuant to Section 153(6) of the Companies Act.

Key information regarding the Directors are disclosed as follows:

Name	Present Directorships in other listed companies	Past Directorships in other listed companies over last 3 years	Other major appointments
Foo Suan Sai	Nil	Nil	**Managing Director,** HPTec Singapore **Deputy Chairman,** Multi-Chem Philippines
Han Juat Hoon	Nil	Nil	**Director,** Multi-Chem Philippines
Toshiaki Suzuki	Nil	Nil	Nil
Wong Meng Yeng	KS Tech Ltd. Novena Holdings Limited Pan Asian Water Solutions Limited	Nil	Nil
Chew Thiam Keng	Ban Joo & Company Limited China Dairy Group Ltd. (previously known as TSM Resources Ltd) KS Tech Ltd Pharmesis International Ltd. Showy International Limited Sim Siang Choon Ltd	Flairis Technology Corporation Limited	Nil

Board Performance

The Board performance's is ultimately reflected in the performance of the Group. The Board shall, at all times, act honestly and use reasonable diligence and care in the discharge of the duties of their office. They have to carry their duties in the best interests of the Company and its shareholders. Board members must attend at least 75% of all Board Meetings. Performance of Board members is also evaluated according to their contribution during meetings and also their input to the Company e.g. corporate governance, legal or accounting, based on their individual expertise. The NC is of the opinion that the above performance evaluation criteria is currently adequate.

AUDIT COMMITTEE

Audit Committee

The AC comprises three members, two of whom are independent Directors. The AC is chaired by Mr Wong Meng Yeng, an independent Director. Mr Chew Thiam Keng, an independent director has financial management expertise and experience while Mr Toshiaki Suzuki, a non-executive director has over 38 years of experience in the PCB industry.

The NC is of the view that the members of the AC have the necessary expertise and experience to discharge its functions.

The AC has a set of terms of reference defining its scope of authority which includes:

- To review the external auditors' independence and objectivity annually;
- To review the scope and results of the audit, whether it is cost effective and the independence and objectivity of the external auditors;
- To review with the external auditors on their audit report, management letter and management's response;
- To review the quarterly, half-yearly and annual financial statements before submission to the Board;
- To review the assistance given by the management to the auditors;
- To review the scope and results of the internal audit procedures;
- To review interested party transactions periodically.

There has been no non-audit services provided by the external auditors, PricewaterhouseCoopers, during the year.

The AC meets at least four times a year and, in addition to the members of the AC, such meetings are also attended by external auditors and appropriate members of the executive management by invitation. In FY2004, the AC has carried out the activities as set out above.

Other information pertaining to the AC is disclosed on page 40 of the annual report.

Internal Controls

The Board is responsible for ensuring that the Company maintains a sound system of internal controls to safeguard shareholders' interest and Company's assets. The Board also oversees matters relating to management of risks.

The effectiveness of the Company's material internal controls is conducted annually. The Board is of the opinion that the Company has adequate internal controls to safeguard shareholders' investment and Company's assets. In terms of risk management, the Board seeks to identify areas of significant risks and apply appropriate measures to control and mitigate these risks. It also monitors the implementation of such measures.

Internal Audit

The internal audit function is outsourced to a public accounting firm, CC Yang & Co. They conduct reviews of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management annually.

The internal auditors meet with the Board and AC at least twice a year, to present their audit plans initially and to report their audit findings subsequently. Management has to respond to the audit findings and take action, where necessary, to improve any internal control weaknesses.

The internal auditors' primary reporting line is to the Chairman of the AC. Material non-compliance and internal control weaknesses noted during the audit are reported to the AC.

In FY2004, the scope of the internal audit was extended to the Group's China operations.

It is the responsibility of the AC to ensure the adequacy of the internal audit.

REMUNERATION COMMITTEE

Remuneration Matters

The RC comprises three members, two of whom are independent Directors. The RC is chaired by Mr Wong Meng Yeng, an independent Director. The RC meets at least once a year and is responsible for reviewing the performance of the Chief Executive Officer, the Chief Operating Officer and senior management, as well as reviewing and approving executive remuneration including but not limited to Director's fees, salaries, allowances, bonuses and benefits-in-kind.

Level and Mix of Remuneration

The executive Directors, Mr Foo Suan Sai and Mdm Han Juat Hoon are also the substantial shareholders of the Company. Their interests are therefore in line with the Company's interest. Remuneration of these executive Directors is in accordance with their service contracts.

Remuneration of non-executive Directors takes into the account the effort and time spent, including the responsibilities of each Director. Non-executives are paid Directors' fees, subject to approval at the AGM.

The Company currently does not have any share option scheme in place.

Disclosure on Remuneration

Remuneration is fixed in accordance with the experience of the person in question, the role performed, market comparison, the contribution of the individual and/or the performance of the Company.

Remuneration of Mr Foo Suan Sai and Mdm Han Juat Hoon is in accordance with their respective service contract with the Company, which is reviewed annually. For the other Directors and key Executives, remuneration is based on the above factors as well as negotiation between the parties concerned.

The annual remuneration bands of the Directors and the Executive Officers are set out below:

FY2004	Base Salary %	Variable Bonus %	Profit Sharing %	Benefits-in-kind %	Fees %	Total %
Director						
$500,000 and above						
Foo Suan Sai	63	-	25	12	-	100
Han Juat Hoon	67	-	32	1	-	100
Below $250,000						
Toshiaki Suzuki	-	-	-	-	100	100
Wong Meng Yeng	-	-	-	-	100	100
Chew Thiam Keng	-	-	-	-	100	100
Executive Officers						
$250,000 to below $500,000						
Ho Boon Chuan Wilson	50	14	-	36	-	100
Below $250,000						
Pui Boon Tiong Eugene	80	15	-	5	-	100
Koh Henry	74	25	-	1	-	100

Note: Mr Eu Yee Kui Alexander Junior @ Eu Sandy, who passed away on 18 December 2004, received remuneration below $250,000, comprising Directors' fees (100%) in FY2004.

The total remuneration of employees who are related to the substantial shareholders is subject to the annual review and majority approval of the AC. For FY2004, the total remuneration paid to these employees amounted to $289,937 (2003: $195,836).

None of the employees who are immediate family members of a Director or the Chief Executive Officer received more than $150,000 in remuneration during the year.

COMMUNICATION WITH SHAREHOLDERS

Accountability and Audit

The Company has adopted quarterly results reporting since the third quarter of 2002. For its financial reporting, the Company will continue to provide a balanced and understandable assessment of the Group's performance, position and prospects on a quarterly basis.

The Board currently has access to quarterly accounts and regular updates from the Company via emails, ad hoc informal meetings and through the telephone. Monthly accounts are available upon request.

In preparing the financial statements, the directors have:
- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on a going concern basis as the directors have a reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for a foreseeable future.

Communication with Shareholders

The Company aims to engage in regular, effective and fair communication with shareholders, and be as descriptive, detailed and forthcoming as possible.

Its financial results are disclosed on a quarterly basis through SGXNET within the mandatory period and the information is also available on the Company's website, and investor relations sites Zaobao.com and Shareinvestor.com. Information on the Company's new initiatives or key developments are first disseminated via SGXNET and also made available on-line to shareholders. Price sensitive information is announced through SGXNET. However, any information that may be regarded as undisclosed material information about the Group will not be given.

Although mandatory quarterly reporting for listed companies with market capitalisation of less than S$75M as at 31 March 2003, is waived, the Company has chosen to continue quarterly reporting to enhance communications with shareholders.

Shareholder Participation

All shareholders of the Company receive the annual report and notice of AGM. The notice is also advertised in the press and made available on the website. At AGMs, the Company encourages shareholder participation and shareholders are given the opportunity to air their views and ask Directors or management questions regarding the Company.

The Company's Articles of Associations allow a member of the Company to appoint one or two proxies to attend and vote instead of the member.

At every general meeting, the chairpersons of the AC, NC and RC are present and available to address questions. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed solution. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

A summary of the discussion at the Annual General Meeting will be made available at the Group's website.

DEALINGS IN SECURITIES

The Group has adopted internal codes pursuant to the SGX-ST's Best Practices Guide applicable to all its officers in relation to dealing in the Company's securities. Share trading guidelines, in particular, that officers should not deal in the Company's securities

(a) when in possession of unpublished material price sensitive information;
(b) on short term considerations; and
(c) during the period commencing 2 weeks before the announcement of the Company's first three quarter results and one month before the announcement of the Company's annual results and ending on the date of the particular announcement,

have been disseminated to Directors and key employees (including employees with access to price sensitive information in relation to the Company's shares). In addition, the guidelines require key employees to disclose in writing to the executive Directors on their dealings in the Company's securities.

INTERESTED PERSON TRANSACTIONS

There was no interested party transactions entered into with value of more than $100,000 during the year.

MATERIAL CONTRACTS

There was no material contracts entered into by the Company or any of its subsidiaries involving the interest of the Chief Executive Officer, any Director or controlling shareholder, either still subsisting at the end of FY2004 or entered into since the end of FY2003.

Foo Suan Sai
Group Chairman & Chief Executive Officer

Corporate Directory

Chairman & Chief Executive Officer
Foo Suan Sai

Chief Operating Officer
Han Juat Hoon

Finance, HR & Administration
Ho Boon Chuan Wilson
Koh Hang Leng Dicky
Lim San San
Lim Kok Soon Rayson

Distribution Division
Foo Fang Song Max
Goh Tian Keong Winston
Yap Yen Ling Candy

Purchasing & Logistics
Foo Suan Ooi
Loo Lay Yeo Jenny
Siow Mee Lin

Manufacturing Services Division
Pui Boon Tiong Eugene
Koh Henry
Yang Wen Kuei
Lee Thiam Huat Daniel

Overseas Subsidiaries
Multi-Chem (Suzhou) Co., Ltd
No. 28 Su Tong Road, Suzhou Industrial Park
Jiangsu Province, PRC 215021
Tel : (86 512) 8818 8868
Fax : (86 512) 8818 8869

Multi-Chem Electronics (Wuxi) Co., Ltd
No. 21 Tuanjie Road
Xishan Economic Development Zone
Wuxi, Jiangsu Province, PRC 214101
Tel : (86 510) 8260 498
Fax : (86 510) 8260 428

Multi-Chem Laser Technology (Suzhou) Co., Ltd
No. 5 Xing Han Street, Block F-Unit 02
Suzhou Industrial Park
Jiangsu Province, PRC 215021
Tel : (86 512) 8818 8900
Fax : (86 512) 8818 8898

Associated Company
Hawera Precision Tec Pte Ltd
11 Tuas Avenue 5
Singapore 639337
Tel : (65) 6863 1318
Fax : (65) 6863 1618

Overseas Joint Venture
Multi-Chem Precision Philippines Corporation
SEPZ, First Cavite Industrial Estate
BRGY, Langkaan, Dasmarinas
Cavite 4114, Philippines
Tel : (63 46) 4020 361
Fax : (63 46) 4020 362

M.Tech Offices

M.Tech Products Pte Ltd
Phase Z.Ro, Technopreneur Park
151 North Buona Vista Road
#02-02 The Connection
Singapore 139347
Tel : (65) 6779 6755
Fax : (65) 6779 6553

M.Tech Training Centre Pte Ltd
138 Cecil Street #12-01A
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M-Security Technology Sdn. Bhd.
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M-Solutions Technology (Thailand) Co., Ltd.
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PT. M.Tech Products
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M.Tech (Shanghai) Co., Ltd
Central Place Business Centre
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Hanoi Representative Office
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Financial Contents

Directors' Report

For the financial year ended 31 December 2004

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2004 and the balance sheet of the Company at 31 December 2004.

Directors

The directors of the Company in office at the date of this report are:

Foo Suan Sai
Han Juat Hoon
Toshiaki Suzuki
Wong Meng Yeng
Chew Thiam Keng

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the share capital or debentures of the Company or related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 31.12.2004	At 1.1.2004	At 31.12.2004	At 1.1.2004
The Company				
<u>(Ordinary shares of $0.05 each)</u>				
Foo Suan Sai	**122,338,500**	118,202,500	**86,104,500**	86,104,500
Han Juat Hoon	**86,104,500**	86,104,500	**122,338,500**	118,202,500
Toshiaki Suzuki	**500,000**	500,000	**-**	-
Wong Meng Yeng	**30,000**	30,000	**-**	-
Chew Thiam Keng	**30,000**	30,000	**-**	-
<u>(Warrants to subscribe for ordinary shares of $0.05 each)</u>				
Foo Suan Sai	**14,415,000**	14,415,000	**11,481,000**	11,481,000
Han Juat Hoon	**11,481,000**	11,481,000	**14,415,000**	14,415,000
Wong Meng Yeng	**4,000**	4,000	**-**	-
Chew Thiam Keng	**4,000**	4,000	**-**	-

Mr Foo Suan Sai and Mdm Han Juat Hoon are husband and wife and they are each deemed to be interested in the shares held by the other.

Directors' Report

For the financial year ended 31 December 2004

Directors' interests in shares or debentures (continued)

(b) Mr Foo Suan Sai and Mdm Han Juat Hoon, who by virtue of each of their interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly-owned subsidiaries and in the shares held by the Group in the following subsidiaries:

	Number of shares	
	At 31.12.2004	At 1.1.2004
M.Tech Products Pte Ltd		
- Ordinary shares of $1 each	800,000	900,000
M-Solutions Technology (Thailand) Co., Ltd		
- Ordinary shares of Baht100 each	25,000	25,000
- Preference shares of Baht100 each	25,000	-
M.Tech Training Centre Pte Ltd		
- Ordinary shares of $1 each	70,000	-

(c) The directors' interests in the shares and convertible securities of the Company at 21 January 2005 were the same at 31 December 2004.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the financial statements and in this report, and except that Mr Foo Suan Sai and Mdm Han Juat Hoon have employment relationships with the Company and certain subsidiaries, and have received remuneration in those capacities.

Share options

There were no options granted, including any to controlling shareholders or their associates, directors and employees of the Company and its subsidiaries, during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

Directors' Report

For the financial year ended 31 December 2004

Share options (continued)

Warrants

On 20 November 2000, the Company issued 44,000,000 warrants at $0.05 per warrant in conjunction with a transferable loan facility granted to the Company. Each warrant entitles the warrant holder to subscribe for one new ordinary share in the Company at the exercise price of $0.15 per share on or before 26 November 2005. The new ordinary shares will rank pari passu in all respects with the then existing ordinary shares save for any dividends, rights, allotment or other distributions, the record date for which is on or before the relevant exercise date of the warrants.

During the financial year, the Company issued 2,182,100 ordinary shares of $0.05 each at a premium of $0.15 upon the exercise of 2,182,100 warrants.

Details of the unissued ordinary shares of $0.05 each of the Company under warrants at the end of the financial year are as follow:

Date of issue	Number of warrants outstanding at 31.12.2004	Number of unissued ordinary shares under warrants at 31.12.2004	Exercise price	Expiry date
20 November 2000	41,816,400	41,816,400	$0.15 per share	26 November 2005

Audit Committee

The Audit Committee of the Company is chaired by Wong Meng Yeng, an independent director, and includes Chew Thiam Keng, also an independent director, and Toshiaki Suzuki, a non-executive director. The Audit Committee has met 4 times since the last Annual General Meeting and has reviewed the following, where relevant, with the executive directors, the external auditors and internal auditors of the Company:

(a) the audit plans and results of the external auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) the Group's financial and operating results and accounting policies;

(c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and the external auditors' report on those financial statements;

Directors' Report

For the financial year ended 31 December 2004

Audit Committee (continued)

(d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Group's external auditors; and

(f) the re-appointment of the external auditors of the Group.

The Audit Committee has full access to and co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has nominated PricewaterhouseCoopers for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors

FOO SUAN SAI
Director

HAN JUAT HOON
Director

10 March 2005

Statement by Directors

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 58 to 108 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2004 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

FOO SUAN SAI
Director

HAN JUAT HOON
Director

10 March 2005

Auditors' Report

to the members of Multi-Chem Limited

We have audited the accompanying financial statements of Multi-Chem Limited set out on pages 58 to 108 for the financial year ended 31 December 2004, comprising the balance sheet of the Company and the consolidated financial statements of the Group. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the accompanying balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, Cap 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore
10 March 2005

Consolidated Income Statement

For the financial year ended 31 December 2004

	Notes	The Group 2004 $'000	2003 $'000
Sales	3	**53,002**	34,041
Cost of sales		**(35,392)**	(23,897)
Gross profit		**17,610**	10,144
Other operating income	3	**621**	1,002
Distribution costs		**(1,318)**	(619)
Administrative expenses		**(6,044)**	(4,662)
Other operating expenses		**(1,210)**	(1,668)
Profit from operations	4	**9,659**	4,197
Finance costs	5	**(174)**	(771)
Share of results of associated company before tax	15	**241**	(406)
Share of results of joint venture before tax	16	**-**	(98)
Profit before tax		**9,726**	2,922
Income tax expense	7	**(1,170)**	(734)
Profit from ordinary activities after tax		**8,556**	2,188
Minority interests	27	**(148)**	(49)
Net profit for the financial year		**8,408**	2,139
Earnings per share	8		
- Basic		**2.66 cents**	0.68 cents
- Diluted		**2.50 cents**	0.66 cents

The accompany notes form an integral part of these Financial Statements.

Auditors' Report – Page 57.

Balance Sheets

As at 31 December 2004

		The Group		The Company	
		2004	2003	2004	2003
	Notes	$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	9	**4,994**	8,611	**1,379**	7,604
Trade and other receivables	10	**15,033**	12,872	**17,656**	13,807
Inventories	11	**2,462**	2,218	**1,302**	949
Other current assets	12	**540**	409	**257**	223
		23,029	24,110	**20,594**	22,583
Non-current assets					
Other investments	13	**70**	70	**70**	70
Club memberships	14	**80**	281	**-**	281
Investment in an associated company	15	**2,082**	1,835	**2,082**	1,835
Investment in a joint venture	16	**-**	-	**-**	-
Investments in subsidiaries	17	**-**	-	**18,571**	17,117
Property, plant and equipment	18	**40,664**	33,059	**17,197**	11,385
		42,896	35,245	**37,920**	30,688
Total assets		**65,925**	59,355	**58,514**	53,271
LIABILITIES					
Current liabilities					
Trade and other payables	19	**6,883**	4,675	**6,822**	4,793
Current income tax liabilities	7	**1,669**	1,078	**1,483**	937
Borrowings	20	**5,016**	5,354	**4,199**	4,992
		13,568	11,107	**12,504**	10,722

Balance Sheets

As at 31 December 2004

		The Group		The Company	
		2004	2003	2004	2003
	Notes	$'000	$'000	$'000	$'000
Non-current liabilities					
Borrowings	20	**6,298**	6,015	**4,664**	3,300
Deferred income tax liabilities	23	**626**	1,130	**626**	1,100
		6,924	7,145	**5,290**	4,400
Total liabilities		**20,492**	18,252	**17,794**	15,122
Net assets		**45,433**	41,103	**40,720**	38,149
EQUITY					
Share capital	24	**15,783**	15,674	**15,783**	15,674
Share premium		**11,678**	11,351	**11,678**	11,351
Other reserves	25	**2,032**	2,836	**3,147**	3,256
Retained earnings	26	**15,425**	11,074	**10,112**	7,868
Shareholders' equity		**44,918**	40,935	**40,720**	38,149
Minority interests	27	**515**	168	**-**	-
		45,433	41,103	**40,720**	38,149

The accompany notes form an integral part of these Financial Statements.

Auditors' Report – Page 57.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2004

	Notes	Share capital $'000	Share premium $'000	Other reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2004		15,674	11,351	2,836	11,074	40,935
Currency translation differences	25	-	-	(695)	-	(695)
Net loss recognised directly in equity		-	-	(695)	-	(695)
Net profit for the financial year		-	-	-	8,408	8,408
Total recognised gains and losses for the financial year		**-**	**-**	**(695)**	**8,408**	**7,713**
Dividends relating to 2003	28	-	-	-	(4,057)	(4,057)
Issuance of share capital pursuant to exercise of warrants	24,25	109	327	(109)	-	327
Balance at 31 December 2004		15,783	11,678	2,032	15,425	44,918
Balance at 1 January 2003		15,863	11,351	2,806	11,536	41,556
Currency translation differences	25	-	-	(389)	-	(389)
Net losses recognised directly in equity		-	-	(389)	-	(389)
Net profit for the financial year		-	-	-	2,139	2,139
Total recognised gains and losses for the financial year		-	-	**(389)**	**2,139**	**1,750**
Dividends relating to 2002	28	-	-	-	(1,984)	(1,984)
Convertible notes – equity component	25	-	-	230	-	230
Share buy back	24	(189)	-	189	(617)	(617)
Balance at 31 December 2003		15,674	11,351	2,836	11,074	40,935

An analysis of the movements in each category within "Other reserves" is presented in Note 25.

The accompany notes form an integral part of these Financial Statements.
Auditors' Report – Page 57.

Consolidated Cash Flow Statement

For the financial year ended 31 December 2004

	Notes	2004 $'000	2003 $'000
Cash flows from operating activities			
Profit before tax and after share of results of associated company and joint venture		**9,726**	2,922
Adjustments for:			
- Amortisation of discount on transferable loan facility		**-**	672
- Amortisation of warrant issue expenditure		**-**	111
- Depreciation of property, plant and equipment		**6,497**	5,554
- Foreign exchange loss/(gain) - net		**511**	(130)
- Impairment charge in value of investment in joint venture		**-**	1,084
- Interest expense		**174**	99
- Interest income		**(44)**	(293)
- Loss/(gain) on disposal of property, plant and equipment		**299**	(123)
- Loss on disposal of club memberships		**281**	-
- Loss on disposal of interest in a subsidiary		**68**	-
- Share of results of associated company		**(241)**	406
- Share of results of joint venture		**-**	98
Operating cash flow before working capital changes		**17,271**	10,400
Change in operating assets and liabilities			
- Inventories		**(244)**	(508)
- Trade and other receivables		**(2,292)**	(3,817)
- Trade and other payables		**2,207**	1,423
Cash generated from operations		**16,942**	7,498
Interest received		**44**	293
Income tax paid		**(1,089)**	(1,290)
Net cash from operating activities		**15,897**	6,501

Consolidated Cash Flow Statement

For the financial year ended 31 December 2004

	Notes	2004 $'000	2003 $'000
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2,909)**	(7,469)
Purchases of club memberships		**(57)**	-
Proceeds from disposals of property, plant and equipment		**1,570**	758
Proceeds from disposal of interest in subsidiary		**130**	-
Dividends received from associated company		**-**	420
Net cash used in investing activities		**(1,266)**	(6,291)
Cash flows from financing activities			
Proceeds from issuance of convertible notes		**-**	3,413
Repayments of bills payable		**(13,132)**	-
Repayments of borrowings		**(603)**	(8,247)
Repayments of lease liabilities		**(316)**	(27)
Interest paid		**(174)**	(99)
Dividends paid to shareholders		**(4,057)**	(1,984)
Proceeds from warrants exercised		**327**	-
Payments for share buy back		**-**	(617)
Net cash used in financing activities		**(17,955)**	(7,561)
Net decrease in cash and cash equivalents		**(3,324)**	(7,351)
Cash and cash equivalents at beginning of the financial year		**8,611**	15,972
Effects of exchange rate changes on cash and cash equivalents		**(293)**	(10)
Cash and cash equivalents at end of the financial year	9	**4,994**	8,611

The accompany notes form an integral part of these Financial Statements.

Auditors' Report – Page 57.

Notes to the Financial Statements

For the financial year ended 31 December 2004

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

Multi-Chem Limited (the "Company") is incorporated and domiciled in Singapore and is publicly traded on the Singapore Exchange. The address of its registered office is 11 Tuas Avenue 5, Singapore 639337.

The principal activities of the Company are the provision of value added printed circuit board ("PCB") manufacturing services, mainly in precision drilling, to PCB fabricators and the distribution of specialty chemicals and other PCB related products and equipment to PCB fabricators.

The principal activities of the Company and its subsidiaries (the "Group") are the provision of value added printed circuit board ("PCB") manufacturing services, mainly in precision drilling, to PCB fabricators and the distribution of specialty chemicals and other PCB related products and equipment to PCB fabricators, distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(b) Revenue recognition

Revenue comprises the fair value for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

(1) Rendering of services

Revenue from the rendering of services is recognised during the financial year in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

Notes to the Financial Statements
For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(b) Revenue recognition (continued)

(2) Sale of goods

Revenue from the sale of goods is recognised when a Group entity has delivered the products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(3) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(4) Dividend income

Dividend income is recognised when the right to receive payment is established.

(5) Rental income

Rental income is recognised on a straight-line basis over the lease term.

(c) Group accounting

(1) Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combinations are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. Please refer to Note 2(e) for the accounting policy on goodwill on acquisition of subsidiaries.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(c) Group accounting (continued)

(1) Subsidiaries (continued)

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the parent. It is measured at the minorities' share of post-acquisition fair values of the subsidiaries' identifiable assets and liabilities, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are taken to the consolidated income statement, unless the minority has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority are taken to the consolidated income statement until the minority's share of losses previously taken to the consolidated income statement is fully recovered.

Please refer to Note 2(f) for the Company's accounting policy on investments in subsidiaries.

(2) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Investments in associated companies in the consolidated balance sheet includes goodwill (net of accumulated amortisation) identified on acquisition, where applicable. Please refer to Note 2(e) for the Group's accounting policy on goodwill.

Equity accounting involves recording investments in associated companies initially at cost, and recognising the Group's share of its associated companies' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its investment in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

In applying the equity method, unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

Please refer to Note 2(f) for the Company's accounting policy on investments in associated companies.

Notes to the Financial Statements

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(c) Group accounting (continued)

(3) Joint ventures

Joint ventures are entities over which the Group has contractual arrangements to jointly share the control with one or more parties. The Group's interest in joint ventures is accounted for in the consolidated financial statements using the equity method of accounting.

Please refer to Note 2(c)(2) for the Group's policy on the equity method of accounting and Note 2(f) for the Company's accounting policy on investments in joint ventures.

(4) Transactions costs

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

(d) Property, plant and equipment

(1) Property, plant and equipment

Freehold land is stated at cost less accumulated impairment losses. Leasehold properties, office plant and equipment and factory plant and machinery are stated at cost less accumulated depreciation and accumulated impairment losses.

(2) Depreciation

Freehold land is not depreciated. Depreciation is calculated using a straight-line method to allocate the depreciable amounts of property, plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

Freehold building	50 years
Leasehold properties	Over the lease terms of 25 to $33^1/_3$ years
Office plant and equipment	1 to 10 years
Factory plant and machinery	5 to $14^1/_3$ years

(3) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Notes to the Financial Statements

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(4) Disposal

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

(e) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition of subsidiaries, joint ventures or associated companies over the fair value of the Group's share of their identifiable net assets at the date of acquisition.

Goodwill on acquisitions of subsidiaries and joint ventures occurring on or after 1 January 2001 is included as intangible assets. Goodwill on acquisitions of associated companies occurring on or after 1 January 2001 is included in investments in associated companies. Goodwill on acquisitions that occurred prior to 1 January 2001 has been taken in full to the retained earnings; such goodwill has not been retrospectively capitalised and amortised.

Goodwill recognised as intangible assets is stated at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised using the straight-line method over its estimated useful life of not more than 20 years. Management determines the estimated useful life of goodwill based on its evaluation of the respective companies at the time of the acquisition, considering factors such as existing market share, potential growth and other factors inherent in the acquired companies.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(f) Investments

Investments in subsidiaries are stated at cost less accumulated impairment losses in the Company's balance sheet. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Investments in joint ventures and associated companies are accounted for in the Company's financial statements using the equity method of accounting. Please refer to Note 2(c)(2).

Other investments comprise long-term non-equity securities and club membership. They are stated at cost less allowance for diminution in value based on a review at the balance sheet date. An allowance for diminution is made where, in the opinion of the directors, there is a decline other than temporary in the value of such investments; such reduction being determined and made for each investment individually. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

Notes to the Financial Statements

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(f) Investments (continued)

On disposal of an investment, including subsidiaries, joint ventures and associated companies, the difference between net disposal proceeds and its carrying amount is taken to the income statement.

(g) Impairment of assets

Assets including property, plant and equipment and goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's net selling price and its value in use. For the purposes of assessing impairment of goodwill, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

(h) Trade receivables

Trade receivables are stated at cost less allowance for doubtful receivables based on a review of outstanding amounts at the balance sheet date. An allowance for doubtful receivables is made when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables. Bad debts are written off when identified.

(i) Borrowings

(1) Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(2) Convertible notes

When convertible notes are issued, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible note; this amount is recorded as a non-current liability on the amortised cost basis until it extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in shareholders' equity. The carrying amount of the conversion option is not changed in subsequent periods.

When a conversion option is exercised, the carrying amount of the conversion option will be taken to the share capital and the share premium accounts. When the conversion option is allowed to lapse, the carrying amount of the conversion option will be taken to retained earnings.

Notes to the Financial Statements

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(j) Financial instruments

Forward foreign exchange contracts

Forward foreign exchange contracts are used to hedge the Group's exposure to foreign currency risks. The notional principal amounts of the forward foreign exchange contracts are recorded as off-balance sheet items. The contracted rates of the forward foreign exchange contracts are used to translate the hedged foreign currency monetary assets and liabilities. The fair values of the forward foreign exchange contracts are not recognised in the financial statements.

(k) Leases

(1) When a group company is the lessee:

Finance leases

Leases of assets in which the Group assumes substantially the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Notes to the Financial Statements

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(k) Leases (continued)

(2) When a group company is the lessor:

Finance leases

Where assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the lease term using the net investment method, which reflects a constant periodic rate of return.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment and are stated at revalued amounts and not depreciated. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(l) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. The cost of inventories comprises all costs of purchase, costs of conversion and other direct costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of selling and distribution expenses.

(m) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the Financial Statements

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(m) Deferred income taxes (continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(n) Provisions for other liabilities and charges

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(o) Employee benefits

(1) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee service in the current and preceding financial years. The Group's contribution to defined contribution plans are recognised in the financial year to which they relate.

(2) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Notes to the Financial Statements

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(p) Foreign currency translation

(1) Measurement currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The consolidated financial statements and balance sheet of the Company are presented in Singapore Dollars, which is the measurement currency of the Company.

(2) Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of transactions. Foreign currency monetary assets and liabilities are translated into the measurement currency at the rates of exchange prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are taken to the income statement.

(3) Translation of Group entities' financial statements

The results and financial position of group entities (none of which has the currency of a hyperinflationary economy) that are in measurement currencies other than Singapore Dollars are translated into Singapore Dollars as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

Notes to the Financial Statements

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(p) Foreign currency translation (continued)

(3) Translation of Group entities' financial statements (continued)

(iii) All resulting exchange differences are taken to the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is disposed of, such exchange differences are taken to the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as non-monetary foreign currency assets and liabilities of the acquirer and recorded at the exchange rate at the date of the transaction.

(q) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

(r) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions.

(s) Share capital

Ordinary shares are classified as equity. Where share capital recognised as equity is repurchased, the share capital is reduced by the par value of the shares repurchased and transferred to a capital redemption reserve. The costs associated with the repurchase are set off against retained earnings.

Notes to the Financial Statements

For the financial year ended 31 December 2004

2. Significant accounting policies (continued)

(t) Warrants

The proceeds received from the subscription price for the issue of warrants are credited to a capital reserve. As and when the warrants are exercised, the subscription price for the warrants exercised will be transferred from capital reserve to share premium. Upon the expiry of the warrants, the balance of the capital reserve representing the subscription price for the warrants not exercised will be taken to retained earnings.

(u) Dividends

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders.

3. Revenue

	The Group	
	2004 $'000	2003 $'000
Rendering of services	**33,730**	19,728
Sales of goods	**19,272**	14,313
Total sales	**53,002**	34,041
Other operating income:		
- Commission income	**27**	75
- Interest income - banks	**39**	280
- Interest income - associated company	**5**	13
- Equipment rental income	**-**	120
- Gain on disposal of property, plant and equipment	**-**	123
- Scrap sales	**188**	306
- Others	**362**	85
Total other operating income	**621**	1,002
	53,623	35,043

Notes to the Financial Statements

For the financial year ended 31 December 2004

4. Profit from operations

The following items have been included in arriving at profit from operations:

	The Group	
	2004	2003
	$'000	$'000
Charging:		
Amortisation of warrant issue expenditure	**-**	111
Auditors' remuneration paid/payable to:		
- Auditors of the Company	**70**	62
- Other auditors	**12**	8
Depreciation of property, plant and equipment:		
- Freehold buildings	**-**	23
- Leasehold properties	**175**	174
- Office plant and equipment	**375**	485
- Factory plant and equipment	**5,947**	4,872
Foreign exchange loss - net	**231**	140
Impairment charge in value of investment in joint venture (included in "other operating expenses")	**-**	1,084
Inventories:		
- Cost of inventories recognised as an expense (included in "cost of sales")	**22,957**	14,622
- Write-down of inventory	**46**	87
Loss on disposal of club memberships	**281**	-
Loss on disposal of interest in subsidiary	**68**	-
Loss on disposal of property, plant and equipment	**299**	-
Rental expense - operating leases	**560**	511

5. Finance costs

	The Group	
	2004	2003
	$'000	$'000
Interest expense:		
- Bank borrowings	**86**	91
- Finance lease liabilities	**88**	8
- Amortisation of discount on transferable loan facility	**-**	672
	174	771

Notes to the Financial Statements

For the financial year ended 31 December 2004

6. Staff costs

	The Group	
	2004	2003
	$'000	$'000
Wages and salaries	**6,880**	3,909
Employer's contribution to defined contribution plans including Central Provident Fund	**481**	332
	7,361	4,241

Key management remuneration is disclosed in Note 32(b).

The number of persons employed at the end of the financial year:

	The Group	
	2004	2003
Full time	**536**	306
Part time	**31**	11
	567	317

7. Income taxes

(a) Income tax expense

	The Group	
	2004	2003
	$'000	$'000
Tax expense attributable to profit is made up of:		
Current income tax		
- Singapore	**1,382**	1,035
- Foreign	**298**	49
	1,680	1,084
Deferred income tax	**(504)**	(400)
Share of tax of associated company (Note 15)	**37**	50
	1,213	734
Overprovision in the preceding financial years:		
– Share of tax of associated company (Note 15)	**(43)**	-
	1,170	734

Notes to the Financial Statements

For the financial year ended 31 December 2004

7. Income taxes (continued)

(a) Income tax expense (continued)

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	The Group	
	2004	2003
	$'000	$'000
Profit before tax	**9,726**	2,922
Tax calculated at a tax rate of 20% (2003: 22%)	**1,945**	643
Effect of change in tax rates	**(99)**	-
Effect of different tax rates in other countries	**(201)**	-
Overseas statutory income exemption [1]	**(405)**	(652)
Local statutory income exemption	**(32)**	(23)
Expenses not deductible for tax purposes	**116**	998
Income not subject to tax	**(111)**	-
Utilisation of capital investment allowances	**-**	(232)
Tax charge	**1,213**	734

[1] Pursuant to the Chinese income tax regulations, the subsidiaries in the People's Republic of China ("PRC") are entitled to exemptions from PRC income tax for the first two years commencing from their first profit making year followed by 50% reduction in their income tax for the next three years. A profit-making year is defined as the first year for which an enterprise would need to pay income tax after absorption of any loss carried forward.

(b) Movements in current income tax liabilities

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
At beginning of the financial year	**1,078**	1,284	**937**	1,257
Income tax paid	**(1,089)**	(1,290)	**(624)**	(1,180)
Tax expense on profit				
- Current financial year	**1,680**	1,084	**1,170**	860
At end of the financial year	**1,669**	1,078	**1,483**	937

Notes to the Financial Statements

For the financial year ended 31 December 2004

8. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to members of Multi-Chem Limited by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2004	2003
Net profit attributable to members of Multi-Chem Limited ($'000)	**8,408**	2,139
Weighted average number of ordinary shares on issue for basic earnings per share ('000)	**315,670**	314,919
Basic earnings per share	**2.66 cents**	0.68 cents

The diluted earnings per share is adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible notes and warrants. The convertible notes are assumed to have been converted into ordinary shares and no adjustment is made to earnings (numerator). For the warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants. The difference is added to the denominator as an issuance of ordinary shares for no consideration. No adjustment is made to earnings (numerator).

	The Group	
	2004	2003
	$'000	$'000
Net profit attributable to members of Multi-Chem Limited and used to determine diluted earnings per share ($'000)	**8,408**	2,139
	'000	'000
Weighted average number of ordinary shares in issue for basic earnings per share	**315,670**	314,919
Adjustments for		
– Assumed conversion of convertible notes	**5,401**	8,326
– Warrants	**14,750**	-
Weighted average number of ordinary shares for diluted earnings per share	**335,821**	323,245
Diluted earnings per share	**2.50 cents**	0.66 cents

Notes to the Financial Statements
For the financial year ended 31 December 2004

9. Cash and cash equivalents

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Cash at bank and on hand	**3,876**	5,190	**1,379**	4,183
Short-term bank deposits	**1,118**	3,421	**-**	3,421
	4,994	8,611	**1,379**	7,604

The carrying amounts of cash and cash equivalents approximate their fair value.

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Singapore Dollar	**800**	1,098	**209**	982
United States Dollar	**1,569**	6,751	**1,107**	6,574
Chinese Renminbi	**1,074**	395	**-**	-
Malaysian Ringgit	**1,228**	250	**-**	-
Others	**323**	117	**63**	48
	4,994	8,611	**1,379**	7,604

Short-term bank deposits have an average maturity of 1 month (2003: Less than 1 month) from the end of the financial year with the following weighted average effective interest rates:

	The Group		The Company	
	2004	2003	2004	2003
United States Dollar	**-**	0.925%	**-**	0.925%
Malaysian Ringgit	**2.8%**	-	**-**	-

Notes to the Financial Statements

For the financial year ended 31 December 2004

10. Trade and other receivables

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Finance lease receivables:				
- Associated company	**59**	-	**59**	-
Trade receivables:				
- Subsidiaries	**-**	-	**45**	206
- Associated company	**56**	48	**56**	47
- Third parties	**14,475**	12,862	**5,996**	5,407
	14,531	12,910	**6,097**	5,660
Less: Allowance for doubtful receivables – Third parties	**(168)**	(158)	**(17)**	(120)
Trade receivables – net	**14,363**	12,752	**6,080**	5,540
Non-trade receivables:				
- Subsidiaries	**-**	-	**11,854**	8,441
- Associated company	**37**	39	**37**	26
- Third parties	**574**	112	**376**	31
	611	151	**12,267**	8,498
Less: Allowance for doubtful receivables				
- Subsidiaries	**-**	-	**(750)**	(200)
- Third parties	**-**	(31)	**-**	(31)
Other receivables – net	**611**	120	**11,517**	8,267
	15,033	12,872	**17,656**	13,807

The carrying amounts of current trade and other receivables approximate their fair value.

The non-trade amounts due from subsidiaries and associated company are unsecured, interest-free and are repayable on demand.

Notes to the Financial Statements

For the financial year ended 31 December 2004

10. Trade and other receivables (continued)

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Singapore Dollar	**5,799**	4,076	**7,408**	8,298
United States Dollar	**3,121**	2,626	**10,241**	5,500
Chinese Renminbi	**4,457**	5,489	**-**	-
Others	**1,656**	681	**7**	9
	15,033	12,872	**17,656**	13,807

Finance lease receivables are analysed as follows:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Gross receivables due:				
- Not later than one year	**60**	-	**60**	-
Less: Unearned finance income	**(1)**	-	**(1)**	-
Net investment in finance leases	**59**	-	**59**	-

11. Inventories

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
At cost				
Finished goods	**2,462**	2,218	**1,302**	949

As at 31 December 2004, the Group has finished goods with costs amounting to $108,000 (2003: $62,000) that are carried in the financial statements at net realisable value of $Nil (2003: $Nil).

Notes to the Financial Statements

For the financial year ended 31 December 2004

12. Other current assets

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Deposits	**380**	268	**217**	194
Prepayments	**160**	141	**40**	29
	540	409	**257**	223

The carrying amounts of current deposits approximate their fair value.

13. Other investments

	The Group and The Company	
	2004	2003
	$'000	$'000
Marketable securities, at cost	**500**	500
Less: Allowance for diminution in value	**(430)**	(430)
	70	70
Fair values:		
Marketable securities, at market value	**82**	85

Marketable securities relate to unit trusts where the market value is determined by reference to bid prices quoted by the fund managers.

14. Club memberships

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Club memberships, at cost	**80**	281	**-**	281
Fair values:				
Club memberships, at fair value	**80**	281	**-**	281

The fair value of club memberships is estimated by reference to their bid prices quoted by brokers.

Notes to the Financial Statements

For the financial year ended 31 December 2004

15. Investment in an associated company

	The Group and The Company	
	2004	2003
	$'000	$'000
Investment at cost	**1,050**	1,050
Share of post acquisition reserves	**1,032**	785
	2,082	1,835
At beginning of the financial year	**1,835**	2,711
Share of results before tax	**241**	(406)
Share of tax (Note 7)	**6**	(50)
Share of results after tax	**247**	(456)
Dividends received, net of tax	**-**	(420)
At end of the financial year	**2,082**	1,835

Details of the associated company are as follows:

Name	Principal activities	Country of incorporation and place of business	Effective equity holding 2004 %	Effective equity holding 2003 %
Hawera Precision Tec Pte Ltd [(a)]	Supply of precision drills and provision of regrinding services	Singapore	**35**	35

(a) Audited by PricewaterhouseCoopers, Singapore

Notes to the Financial Statements

For the financial year ended 31 December 2004

16. Investment in a joint venture

	The Group and The Company 2004 $'000	The Group and The Company 2003 $'000
Investment at cost	**1,161**	1,161
Share of post acquisition reserves	**(77)**	(77)
Accumulated impairment loss	**(1,084)**	(1,084)
	-	-
At beginning of the financial year	**-**	1,182
Share of results before and after tax	**-**	(98)
Impairment charge	**-**	(1,084)
At end of the financial year	**-**	-

At 31 December 2004, the joint venture does not have any asset or liability. The following amounts represent the Group's 50% share of the income and expenses of the joint venture:

	The Group 2004 $'000	The Group 2003 $'000
Sales	**-**	-
Expenses	**-**	(98)
Loss after tax	**-**	(98)

Details of the joint venture are as follows:

Name	Principal activities	Country of incorporation and place of business	Effective equity holding 2004 %	Effective equity holding 2003 %
Multi-Chem Precision Philippines Corporation [(a)]	Under members' voluntary liquidation	Philippines	**50**	50

(a) Not required to be audited as it is under members' voluntary liquidation

Notes to the Financial Statements

For the financial year ended 31 December 2004

17. Investments in subsidiaries

	The Company 2004 $'000	The Company 2003 $'000
Investments at cost	**18,809**	17,355
Accumulated impairment losses	**(238)**	(238)
	18,571	17,117

Details of the subsidiaries are as follows:

Name	Principal activities	Country of incorporation and place of business	Effective equity holding 2004 %	Effective equity holding 2003 %
Held by the Company				
Multi-Chem (Suzhou) Co., Ltd [c]	Provision of value added printed circuit board ("PCB") manufacturing services, mainly in precision drilling, to PCB fabricator	People's Rep. of China	**100**	100
Multi-Chem Electronics (Wuxi) Co., Ltd [d]	Provision of value added printed circuit board ("PCB") manufacturing services, mainly in precision drilling, to PCB fabricator	People's Rep. of China	**100**	100
M.Tech Products Pte Ltd [a]	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products	Singapore	**80**	90
M-Solutions Technology (Thailand) Co., Ltd [e], [f]	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products	Thailand	**49**	49

Notes to the Financial Statements

For the financial year ended 31 December 2004

17. Investments in subsidiaries (continued)

Name	Principal activities	Country of incorporation and place of business	Effective equity holding 2004 %	Effective equity holding 2003 %
M-Security Technology Sdn. Bhd. (b)	Distribution of information technology products and related services	Malaysia	**100**	100
SecureOneAsia Pte. Ltd (a)	Provision of internet security services and the operation and provision of internet and telecommunication services	Singapore	**100**	100
M. Security Technology Indochina Pte. Ltd (a)	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products	Singapore	**100**	100
M-Precision Tech Sdn. Bhd. (b)	Provision of value added printed circuit board (“PCB”) manufacturing services, mainly in precision drilling, to PCB fabricators	Malaysia	**100**	100
Multi-Chem Laser Technology (Suzhou) Co., Ltd (c)	Provision of value added printed circuit board (“PCB”) manufacturing services, mainly in precision drilling, to PCB fabricator	People’s Rep. of China	**100**	-
M.Tech (Shanghai) Co., Ltd (g)	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products	People’s Rep. of China	**100**	-

Notes to the Financial Statements

For the financial year ended 31 December 2004

17. Investments in subsidiaries (continued)

Name	Principal activities	Country of incorporation and place of business	Effective equity holding 2004 %	Effective equity holding 2003 %
Held by M.Tech Products Pte Ltd				
M.Tech Training Centre Pte Ltd [(a)]	Provision of information communication and information technology training programmes	Singapore	**56**	-

(a) Audited by PricewaterhouseCoopers, Singapore
(b) Audited by Horwath Wong & Co., Malaysia
(c) Audited by Jiangsu Huaxing Certified Public Accountants Co., Ltd, People's Republic of China
(d) Audited by Jiangsu GongZheng Certified Public Accountants Co., Ltd, People's Republic of China
(e) Audited by Sum Hak-Ngan A.M.C. Co. Ltd, Thailand
(f) Deemed to be a subsidiary as the Company controls the voting rights and the financial and operating policies of the entity
(g) Incorporated on 8 December 2004, auditors not yet appointed

18. Property, plant and equipment

The Group

	Freehold land $'000	Freehold buildings $'000	Leasehold properties $'000	Office plant and equipment $'000	Factory plant and equipment $'000	Total $'000
Cost						
At 1 January 2004	416	1,157	4,292	2,403	40,109	48,377
Exchange differences	(17)	(46)	-	(8)	(897)	(968)
Additions	-	-	-	568	16,337	16,905
Disposals	(399)	(1,111)	-	(231)	(442)	(2,183)
At 31 December 2004	-	-	4,292	2,732	55,107	62,131
Accumulated depreciation						
At 1 January 2004	-	59	626	951	13,682	15,318
Exchange differences	-	(2)	-	(1)	(54)	(57)
Depreciation charge	-	-	175	375	5,947	6,497
Disposals	-	(57)	-	(128)	(106)	(291)
At 31 December 2004	-	-	801	1,197	19,469	21,467
Net book value						
At 31 December 2004	**-**	**-**	**3,491**	**1,535**	**35,638**	**40,664**
Net book value						
At 31 December 2003	416	1,098	3,666	1,452	26,427	33,059

Notes to the Financial Statements

For the financial year ended 31 December 2004

18. Property, plant and equipment (continued)

The Company

	Leasehold properties $'000	Office plant and equipment $'000	Factory plant and equipment $'000	Total $'000
Cost				
At 1 January 2004	4,291	1,458	17,538	23,287
Additions	-	329	13,228	13,557
Disposals	-	(153)	(10,450)	(10,603)
At 31 December 2004	4,291	1,634	20,316	26,241
Accumulated depreciation				
At 1 January 2004	625	779	10,498	11,902
Depreciation charge	175	268	3,629	4,072
Disposals	-	(105)	(6,825)	(6,930)
At 31 December 2004	800	942	7,302	9,044
Net book value				
At 31 December 2004	**3,491**	**692**	**13,014**	**17,197**
Net book value				
At 31 December 2003	3,666	679	7,040	11,385

(a) Additions in the consolidated financial statements include $Nil (2003: $571,000) of motor vehicles and $1,859,000 (2003: $Nil) of factory plant and equipment acquired under finance leases (where the Group is the lessee). The carrying amount of motor vehicles and factory plant and equipment held under finance leases at 31 December 2004 amounted to $360,000 (2003: $534,000) and $1,487,000 (2003: $Nil) respectively.

(b) The freehold land and buildings of the Group have been pledged as security for borrowing facilities granted by a financial institution to a subsidiary. These facilities have not been utilised at the balance sheet date.

Notes to the Financial Statements

For the financial year ended 31 December 2004

19. Trade and other payables

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Trade payables:				
- Third parties	**3,158**	2,306	**1,031**	848
- Associated company	**64**	488	**64**	281
- Joint venture	**-**	4	**-**	4
	3,222	2,798	**1,095**	1,133
Other payables:				
- Third parties	**1,101**	762	**809**	530
- Director	**66**	69	**-**	-
- Director of a subsidiary	**30**	-	**-**	-
- Subsidiaries	**-**	-	**3,672**	2,679
- Associated company	**108**	52	**108**	52
- Joint venture	-	4	**-**	4
	1,305	887	**4,589**	3,265
Customers' advances received	**265**	254	**-**	-
Other accrued expenses	**2,091**	736	**1,138**	395
	6,883	4,675	**6,822**	4,793

The carrying amounts of trade and other payables approximate their fair value.

The advances from director and director of a subsidiary are unsecured, interest-free and are repayable on demand.

The non-trade amounts due to subsidiaries, associated company and joint venture are unsecured, interest-free and are repayable on demand.

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Singapore Dollar	**2,626**	1,072	**1,895**	3,758
United States Dollar	**2,577**	1,633	**4,839**	644
Chinese Renminbi	**1,301**	1,335	**-**	-
Others	**379**	635	**88**	391
	6,883	4,675	**6,822**	4,793

Notes to the Financial Statements

For the financial year ended 31 December 2004

20. Borrowings

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Current				
Bills payable to banks (unsecured)	**3,898**	4,892	**3,898**	4,892
Bank borrowings (unsecured)	**817**	339	**-**	-
Finance lease liabilities (Note 22)	**301**	123	**301**	100
	5,016	5,354	**4,199**	4,992
Non-current				
Bank borrowings	**1,634**	2,715	**-**	-
Convertible notes (Note 21)	**3,183**	3,183	**3,183**	3,183
Finance lease liabilities (Note 22)	**1,481**	117	**1,481**	117
	6,298	6,015	**4,664**	3,300
Total borrowings	**11,314**	11,369	**8,863**	8,292

(a) Corporate guarantee from Multi-Chem Limited

Total borrowings include bank borrowings of $2,451,000 (2003: $3,054,000) of a subsidiary secured by a corporate guarantee from the Company.

(b) Secured finance lease liabilities

Finance lease liabilities of the Group are secured by the rights to the leased motor vehicles and factory plant and equipment [Note 18(a)], which would revert to the lessor in the event of default by the Group.

(c) Maturity of borrowings

The current borrowings have an average maturity of 7 months (2003: 7 months) from the end of the financial year. The non-current borrowings [excluding finance lease liabilities (Note 22)] have the following maturity:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Later than one year but not later than five years	**4,817**	5,898	**3,183**	3,183

Notes to the Financial Statements

For the financial year ended 31 December 2004

20. Borrowings (continued)

(d) Currency risk

The carrying amounts of total borrowings are denominated in the following currencies:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Singapore Dollar	**1,782**	240	**1,782**	217
United States Dollar	**9,532**	11,129	**7,081**	8,075
	11,314	11,369	**8,863**	8,292

(e) Interest rate risks

The weighted average effective interest rates of total borrowings at the balance sheet date are as follows:

The Group

	2004		2003	
	S$	US$	S$	US$
Bank borrowings	**-**	**4.6%**	-	3.0%
Finance lease liabilities	**4.5%**	**-**	4.5%	-

The Company

	2004		2003	
	S$	US$	S$	US$
Finance lease liabilities	**4.5%**	**-**	4.5%	-

(f) Carrying amounts and fair values

The carrying amounts of current borrowings approximate their fair value.

The fair values of non-current borrowings are determined from the discounted cash flows analysis, using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the balance sheet date. The carrying amounts of non-current borrowings approximate their fair values.

Notes to the Financial Statements

For the financial year ended 31 December 2004

21. Convertible notes

On 16 May 2003, the Company issued convertible notes of nominal value US$2 million to a fund managed by an independent third party fund manager. The notes are repayable on 31 May 2007 at their nominal value of US$2 million unless converted into the Company's ordinary shares at the holder's option at the exercise price of $0.20 during the exercise period from 1 July 2006 to 31 May 2007.

The convertible notes are recognised on the balance sheet as follows:

	The Group and The Company	
	2004 $'000	2003 $'000
Face value of convertible bond issued on 16 May 2003	**3,413**	3,413
Equity conversion component [Note 25(b)]	**(230)**	(230)
Liability component on initial recognition at 16 May 2003 and at the end of financial year (Note 20)	**3,183**	3,183

22. Finance lease liabilities

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Minimum lease payments due:				
- Not later than one year	**379**	130	**379**	107
- Later than one year but not later than five years	**1,107**	126	**1,107**	125
- Later than five years	**590**	-	**590**	-
	2,076	256	**2,076**	232
Less: Future finance charges	**(294)**	(16)	**(294)**	(15)
Present value of finance lease liabilities	**1,782**	240	**1,782**	217

Notes to the Financial Statements

For the financial year ended 31 December 2004

22. Finance lease liabilities (continued)

The present value of finance lease liabilities may be analysed as follows:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Not later than one year (Note 20)	**301**	123	**301**	100
Later than one year (Note 20):				
- Later than one year but not later than five years	**920**	117	**920**	117
- Later than five years	**561**	-	**561**	-
	1,481	117	**1,481**	117
	1,782	240	**1,782**	217

23. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follow:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Deferred income tax liabilities				
- To be settled within 12 months	**232**	630	**232**	600
- To be settled after more than 12 months	**394**	500	**394**	500
	626	1,130	**626**	1,100

The movement in the deferred income tax account (comprising of deferred income tax liabilities arising from accelerated tax depreciation) is as follows:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
At beginning of the financial year	**1,130**	1,530	**1,100**	1,530
Effect of change in tax rates	**(99)**	-	**(99)**	-
Credited to income statement	**(405)**	(400)	**(375)**	(430)
At end of the financial year	**626**	1,130	**626**	1,100

Notes to the Financial Statements

For the financial year ended 31 December 2004

24. Share capital of Multi-Chem Limited

(a) Authorised ordinary share capital

The total authorised number of ordinary shares is 600 million shares (2003: 600 million shares) with a par value of $0.05 per share (2003: $0.05 per share).

(b) Issued and fully paid ordinary share capital

	2004 Shares '000	2003 Shares '000	2004 $'000	2003 $'000
At beginning of the financial year	**313,488**	317,268	**15,674**	15,863
Share buy back during financial year	**-**	(3,780)	**-**	(189)
Exercise of warrants during the financial year	**2,182**	-	**109**	-
At end of the financial year	**315,670**	313,488	**15,783**	15,674

The issued ordinary share capital was increased from $15,674,000 to $15,783,000 during the financial year as a result of the exercise of 2,182,100 warrants by warrant holders to subscribe for ordinary shares of the Company of $0.05 each at a premium of $0.15 cents per share, for cash. The newly issued shares rank pari passu in all respects with the previously issued shares.

The movements in the share premium account are set out in the Statement of Changes in Equity.

(c) Warrants

On 20 November 2000, the Company issued 44,000,000 warrants at $0.05 per warrant in conjunction with a transferable loan facility granted to the Company. Each warrant entitles the warrant holder to subscribe for one new ordinary share in the Company at the exercise price of $0.15 per share on or before 26 November 2005. The new ordinary shares will rank pari passu in all respects with the then existing ordinary shares save for any dividends, rights, allotment or other distributions, the record date for which is on or before the relevant exercise date of the warrants.

During the financial year, the Company issued 2,182,100 ordinary shares of $0.05 each at a premium of $0.15 upon the exercise of 2,182,100 warrants.

Notes to the Financial Statements

For the financial year ended 31 December 2004

24. Share capital of Multi-Chem Limited (continued)

(c) Warrants (continued)

Details of the unissued ordinary shares of $0.05 each of the Company under warrants at the end of the financial year are as follows:

Date of issue	Number of warrants outstanding at 31.12.2004	Number of unissued ordinary shares under warrants at 31.12.2004	Exercise price	Expiry date
20 November 2000	41,816,400	41,816,400	$0.15 per share	26 November 2005

25. Other reserves

(a) Composition

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Capital redemption reserve	**826**	826	**826**	826
Foreign currency translation reserve	**(1,115)**	(420)	**-**	-
Capital reserve	**2,091**	2,200	**2,091**	2,200
Equity component of convertible notes	**230**	230	**230**	230
	2,032	2,836	**3,147**	3,256

Notes to the Financial Statements

For the financial year ended 31 December 2004

25. Other reserves (continued)

(b) Movements

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Capital redemption reserve				
At beginning of the financial year	**826**	637	**826**	637
Share buy back	**-**	189	**-**	189
At end of the financial year	**826**	826	**826**	826
Foreign currency translation reserve				
At beginning of the financial year	**(420)**	(31)	**-**	-
Net exchange differences on translation of financial statements of foreign subsidiaries	**(695)**	(389)	**-**	-
At end of the financial year	**(1,115)**	(420)	**-**	-
Capital reserve				
At beginning of the financial year	**2,200**	2,200	**2,200**	2,200
Transfer to share capital pursuant to exercise of warrants	**(109)**	-	**(109)**	-
At end of the financial year	**2,091**	2,200	**2,091**	2,200
Equity component of convertible notes				
At beginning of the financial year	**230**	-	**230**	-
Convertible notes - equity component	**-**	230	**-**	230
At end of the financial year	**230**	230	**230**	230

Capital redemption reserve, foreign currency translation reserve, capital reserve and equity component of convertible notes are non-distributable.

Notes to the Financial Statements

For the financial year ended 31 December 2004

26. Retained earnings

(a) Retained profits of the Group and the Company are distributable except for accumulated retained profits of associated company amounting to $1,032,000 (2003: $785,000) which are included in the Group's retained profits.

(b) Movement in retained earnings for the Company is as follows:

	The Company	
	2004	2003
	$'000	$'000
At beginning of the financial year	**7,868**	11,296
Net profit/(loss) for the financial year	**6,301**	(827)
Share buy back during the financial year	**-**	(617)
Dividends paid (Note 28)	**(4,057)**	(1,984)
At end of the financial year	**10,112**	7,868

Movement in retained earnings for the Group is shown in the Consolidated Statement of Changes in Equity.

27. Minority interests

	The Group	
	2004	2003
	$'000	$'000
At beginning of the financial year	**168**	119
Incorporation of a subsidiary	**30**	-
Disposal of interest in subsidiary	**169**	-
Share of results of subsidiaries	**148**	49
At end of the financial year	**515**	168

Notes to the Financial Statements
For the financial year ended 31 December 2004

28. Dividends

	The Group and The Company	
	2004	2003
	$'000	$'000
Ordinary dividends paid or proposed		
Final taxable dividend of 0.42 cents per share and tax exempt dividend of 0.95 cents per share paid in respect of the financial year ended 31 December 2003	**4,057**	-
Final taxable dividend of 0.81 cents per share paid in respect of the financial year ended 31 December 2002	**-**	1,984
	4,057	1,984

At the Annual General Meeting on 29 April 2005, a final taxable dividend of 1.584 cents per share amounting to a total of approximately $4,000,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2005.

29. Contingent liabilities

The Group and the Company have contingent liabilities in respect of bank guarantees given to third parties as a result of employment of foreign workers. The directors are of the view that no material liabilities will arise from the bank guarantees at the date of these financial statements.

	The Group and The Company	
	2004	2003
	$'000	$'000
Bank guarantees (unsecured)	**20**	15

Notes to the Financial Statements

For the financial year ended 31 December 2004

30. Commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Property, plant and equipment	**1,167**	3,209	**1,167**	3,209

At the balance sheet date, the Company has outstanding capital investment commitments amounting to approximately $32,933,000 (US$20,155,000) [(2003: $27,078,000 (US$15,905,000)] in respect of commitments to inject share capital into its foreign subsidiaries.

(b) Operating lease commitments

Where a group company is a lessee

The Group leases various properties, plant and machinery under non-cancellable operating lease agreements. These leases have varying terms, escalation rights and renewal rights. The lease expenditure charged to the income statement during the financial year is disclosed in Note 4.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Not later than one year	**515**	445	**101**	101
Later than one year but not later than five years	**1,643**	844	**406**	405
Later than five years	**1,956**	-	**1,919**	-
	4,114	1,289	**2,426**	506

Where a group company is a lessor

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	The Group and The Company	
	2004	2003
	$'000	$'000
Not later than one year	**60**	-

Notes to the Financial Statements

For the financial year ended 31 December 2004

31. Financial risk management

The Group's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Group.

(i) Price risk

Foreign exchange risk

The Group transacts business in various foreign currencies and therefore is exposed to foreign exchange risk. These risks are managed through natural hedges whenever possible.

Market risk

The Group is not exposed to any significant equity securities or commodity market risk.

(ii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's policy is to maintain cash equivalent and borrowings in fixed rate instruments.

The table below set out the Group and the Company's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

The Group

	Variable rates		Fixed rates					
	6 to 12 months $'000	1 to 5 years $'000	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 31 December 2004								
Assets								
Cash and cash equivalents	3,876	-	1,118	-	-	-	-	4,994
Trade and other receivables	-	-	-	-	-	-	15,033	15,033
Investments	-	-	-	-	-	-	2,152	2,152
Other assets	-	-	-	-	-	-	43,746	43,746
Total assets	3,876	-	1,118	-	-	-	60,931	65,925
Liabilities								
Borrowings	-	2,451	150	151	920	561	7,081	11,314
Other liabilities	-	-	-	-	-	-	9,178	9,178
Total liabilities	-	2,451	150	151	920	561	16,259	20,492

Notes to the Financial Statements

For the financial year ended 31 December 2004

31. Financial risk management (continued)

(ii) Cash flow and fair value interest rate risk (continued)

<u>The Group</u>

	Variable rates		Fixed rates					
	6 to 12 months $'000	1 to 5 years $'000	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 31 December 2003								
Assets								
Cash and cash equivalents	5,190	-	3,421	-	-	-	-	8,611
Trade and other receivables	-	-	-	-	-	-	12,872	12,872
Investments	-	-	-	-	-	-	1,905	1,905
Other assets	-	-	-	-	-	-	35,967	35,967
Total assets	5,190	-	3,421	-	-	-	50,744	59,355
Liabilities								
Borrowings	-	3,054	61	62	117	-	8,075	11,369
Other liabilities	-	-	-	-	-	-	6,883	6,883
Total liabilities	-	3,054	61	62	117	-	14,958	18,252

<u>The Company</u>

	Variable rates		Fixed rates					
	6 to 12 months $'000	1 to 5 years $'000	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 31 December 2004								
Assets								
Cash and cash equivalents	1,379	-	-	-	-	-	-	1,379
Trade and other receivables	-	-	-	-	-	-	17,656	17,656
Investments	-	-	-	-	-	-	20,723	20,723
Other assets	-	-	-	-	-	-	18,756	18,756
Total assets	1,379	-	-	-	-	-	57,135	58,514
Liabilities								
Borrowings	-	-	150	151	920	561	7,081	8,863
Other liabilities	-	-	-	-	-	-	8,931	8,931
Total liabilities	-	-	150	151	920	561	16,012	17,794

Notes to the Financial Statements

For the financial year ended 31 December 2004

31. Financial risk management (continued)

(ii) Cash flow and for value interest rate risk (continued)

The Company

	Variable rates		Fixed rates					
	6 to 12 months $'000	1 to 5 years $'000	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 31 December 2003								
Assets								
Cash and cash equivalents	4,183	-	3,421	-	-	-	-	7,604
Trade and other receivables	-	-	-	-	-	-	13,807	13,807
Investments	-	-	-	-	-	-	19,022	19,022
Other assets	-	-	-	-	-	-	12,838	12,838
Total assets	4,183	-	3,421	-	-	-	45,667	53,271
Liabilities								
Borrowings	-	-	50	50	117	-	8,075	8,292
Other liabilities	-	-	-	-	-	-	6,830	6,830
Total liabilities	-	-	50	50	117	-	14,905	15,122

(iii) Credit risk

The Group has no significant concentration of credit risk. The Group has policies in place to ensure that the sales of products and services are made to customers with an appropriate credit history. Cash and fixed deposits are held with credit-worthy financial institutions.

(iv) Liquidity risk

The Group maintains sufficient cash and cash equivalents and has sufficient internally generated cash flows to finance its activities.

Notes to the Financial Statements

For the financial year ended 31 December 2004

32. Related party transactions

In addition to the related party transactions disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties during the financial year at terms agreed by the parties concerned:

(a) Sales and purchases of goods and services and other income

	The Group	
	2004	2003
	$'000	$'000
Sales of goods/services to:		
- Associated company	**458**	623
- Joint venture	**-**	402
Sales of plant and equipment to associated company	**223**	18
Rental of plant and equipment to associated company	**-**	166
Interest income from associated company	**5**	13
	686	1,222
Purchases of goods/services from:		
- Associated company	**536**	1,289
- Joint venture	**-**	31
Purchases of plant and equipment from associated company	**1,857**	27
	2,393	1,347

Sales and purchases to/from associated company and joint venture were carried out on commercial terms and conditions and at market prices.

(b) Key management's remuneration

The key management's remuneration includes fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group or Company did not incur any costs, the value of the benefit. The key management's remuneration is as follows:

	The Group	
	2004	2003
	$'000	$'000
Key management of the Group:		
- Directors of the Company	**1,979**	1,200
- Directors of subsidiaries	**440**	117
- Others	**747**	465

Notes to the Financial Statements

For the financial year ended 31 December 2004

33. Segment information

Primary reporting format - business segments

	Manufacturing services $'000	Distribution $'000	Group $'000
Financial year ended 31 December 2004			
Sales			
- External sales	29,354	23,648	53,002
Segment result	11,716	5,894	17,610
Unallocated income			621
Unallocated costs			(8,572)
Profit from operations			9,659
Finance costs			(174)
Share of results of associated company			241
Profit before tax			9,726
Income tax expense			(1,170)
Profit after tax			8,556
Minority interests			(148)
Net profit			8,408
Segment assets	50,028	11,673	61,701
Investment in associated company			2,082
Other investments			70
Unallocated assets			2,072
Consolidated total assets			65,925
Segment liabilities	9,590	3,701	13,291
Unallocated liabilities			7,201
Consolidated total liabilities			20,492
Other segment items			
Capital expenditure:			
- property, plant and equipment	16,623	282	16,905
Depreciation	6,253	244	6,497
Other non-cash expenses	609	213	822

Notes to the Financial Statements
For the financial year ended 31 December 2004

33. Segment information (continued)

Primary reporting format - business segments (continued)

	Manufacturing services $'000	Distribution $'000	Group $'000
Financial year ended 31 December 2003			
Sales			
- External sales	18,507	15,534	34,041
Segment result	5,903	4,241	10,144
Unallocated income			1,002
Unallocated costs			(6,949)
Profit from operations			4,197
Finance costs			(771)
Share of results of associated company			(406)
Share of results of joint venture	(98)	-	(98)
Profit before tax			2,922
Income tax expense			(734)
Profit after tax			2,188
Minority interests			(49)
Net profit			2,139
Segment assets	39,849	8,537	48,386
Investment in associated company			1,835
Other investments			70
Club memberships			281
Unallocated assets			8,783
Consolidated total assets			59,355
Segment liabilities	10,552	2,038	12,590
Unallocated liabilities			5,662
Consolidated total liabilities			18,252
Other segment items			
Capital expenditure:			
- property, plant and equipment	12,169	409	12,578
Depreciation	5,305	249	5,554
Amortisation	391	392	783
Impairment loss - joint venture	542	542	1,084
Other non-cash expenses	74	113	187

Notes to the Financial Statements

For the financial year ended 31 December 2004

33. Segment information (continued)

Primary reporting format - business segments (continued)

For management purposes, the group is organised into two operating divisions - manufacturing services and distribution. The divisions are the basis on which the group reports its primary segment information. The manufacturing services segment provides precision drilling services to PCB fabricators. The distribution segment relates to the distribution of specialty chemicals and other PCB-related products and equipment to PCB fabricators, as well as, distribution of hardware and software relating to internet and network products and the provision of maintenance services for such products.

Inter-segment transactions are determined on an arm's length basis.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash, and exclude deferred tax assets, other investments and club memberships. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities, bank borrowings and convertible notes. Capital expenditure comprises additions to property, plant and equipment and other investments.

Secondary reporting format - geographical segments

The Group's three business segments operate in three main geographical areas:

- Singapore - the Company has operations and is headquartered in Singapore. The operations in this area are principally manufacturing services and distribution of PCB-related chemicals and IT security products;

- ASEAN - distribution of PCB-related chemicals and IT security products; and

- People's Republic of China - the operations in this area are principally manufacturing services and distribution of PCB-related chemicals and IT security products.

With the exception of Singapore and the People's Republic of China, no other individual country contributed more than 10% of consolidated sales and assets. Sales are based on the country in which the customer is located. Total assets and capital expenditure are shown by the geographical area where the assets are located.

Notes to the Financial Statements

For the financial year ended 31 December 2004

33. Segment information (continued)

Secondary reporting format - geographical segments (continued)

	Sales		Total assets		Capital expenditure	
	2004	2003	2004	2003	2004	2003
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	**26,232**	18,885	**28,921**	19,476	**10,207**	2,657
ASEAN	**10,768**	6,050	**3,611**	2,796	**41**	62
China	**16,002**	9,106	**29,169**	26,114	**6,657**	9,859
Total	**53,002**	34,041	**61,701**	48,386	**16,905**	12,578
Other investments			**70**	70		
Club memberships			**-**	281		
Associated company			**2,082**	1,835		
Unallocated assets			**2,072**	8,783		
			65,925	59,355		

34. Event occurring after balance sheet date

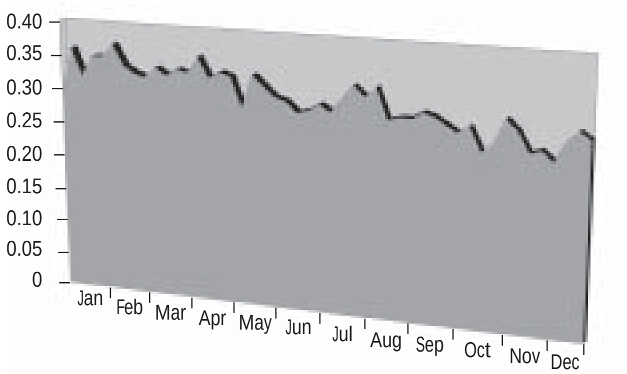
On 17 February 2005, the Company incorporated a wholly owned subsidiary in Indonesia, PT. M.Tech Products, with a paid up capital of US$100,000. The principal activities of PT. M.Tech Products are the distribution of hardware and software relating to internet and network products and provision of maintenance services for such products.

35. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Multi-Chem Limited on 10 March 2005.

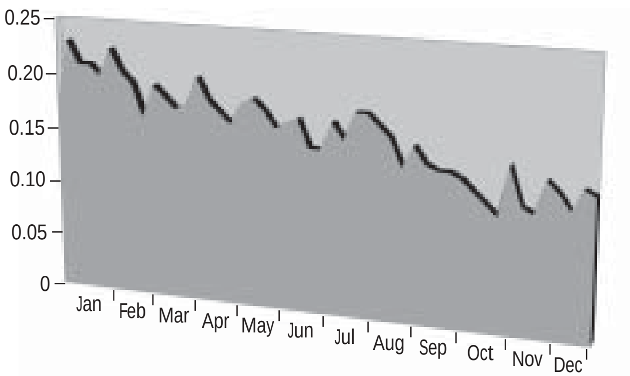
Additional Information for Shareholders

Share Price Chart



In 2004	Highest	Lowest	Average	As at 21 March 2005
Share Price (S$)	0.370	0.250	0.332	0.210
Share Volume	5,791,000	1,000*	470,109	22,000

Warrant Price Chart



In 2004	Highest	Lowest	Average	As at 21 March 2005
Warrant Price (S$)	0.230	0.100	0.200	0.060
Warrant Volume	2,094,000	1,000*	223,798	8,000

Warrant exercise price : $0.15
Outstanding balance : 40,765,400

Warrant expiry date : 26 November 2005

* Lowest share and warrant volume do not take into account market days where no transaction is carried out.

Analysis of Shareholdings

as at 21 March 2005

Share Capital

Authorised Share Capital	-	S$30,000,000
Issued & fully paid-up capital	-	S$15,836,030
Class of Shares	-	Ordinary shares of $0.05 each fully paid
Voting Rights of Ordinary Shareholders	-	On show of hands : 1 vote for each member
		On a poll : 1 vote for each ordinary share

SHAREHOLDING HELD IN HANDS OF PUBLIC

As at 21 March 2005, 22.03% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

Range of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 999	184	2.51	84,354	0.03
1,000 - 10,000	6,293	85.70	17,240,628	5.44
10,001 - 1,000,000	857	11.67	38,369,769	12.11
1,000,001 and above	9	0.12	261,025,849	82.42
Total	7,343	100.00	316,720,600	100.00

Analysis of Shareholdings

as at 21 March 2005

MAJOR SHAREHOLDERS AS AT 21 MARCH 2005

No	Name of Shareholder	Number of Shares Held	%
1	FOO SUAN SAI	121,427,000	38.34
2	HAN JUAT HOON	85,174,500	26.89
3	YAOWALAK PHOOWARACHAI	37,425,000	11.82
4	UNITED OVERSEAS BANK NOMINEES PTE LTD	7,255,100	2.29
5	GOH KOK KIAN	3,105,000	0.98
6	KIM ENG SECURITIES PTE. LTD.	2,010,500	0.64
7	DBS NOMINEES PTE LTD	1,850,249	0.58
8	HO FOON PHIN	1,400,000	0.44
9	CITIBANK NOMINEES SINGAPORE PTE LTD	1,378,500	0.44
10	DBS VICKERS SECURITIES (S) PTE LTD	789,500	0.25
11	MERRILL LYNCH (SINGAPORE) PTE LTD	738,000	0.23
12	RAFFLES NOMINEES PTE LTD	675,000	0.21
13	OCBC SECURITIES PRIVATE LTD	636,500	0.20
14	TOK KIM CHENG	600,000	0.19
15	PHUA SOO HONG	538,500	0.17
16	NEO MOK CHOON	514,000	0.16
17	SUZUKI TOSHIAKI	500,000	0.16
18	FOO CHIK HEE	480,000	0.15
19	PHILLIP SECURITIES PTE LTD	398,400	0.13
20	G K GOH STOCKBROKERS PTE LTD	397,369	0.12
Total		267,293,118	84.39

SUBSTANTIAL SHAREHOLDERS

	Number of shares as at 21 March 2005			
Name of Substantial Shareholder	Direct Interest	Deemed Interest	Total	%
Foo Suan Sai	122,649,500	86,104,500	208,754,000	65.91
Han Juat Hoon	86,104,500	122,649,500	208,754,000	65.91
Yaowalak Phoowarachai	37,425,000	N.A.	37,425,000	11.82

Mr Foo Suan Sai and Mdm Han Juat Hoon are husband and wife and they are each deemed to be interested in the shares held by the other.

Analysis of Warrantholdings

as at 21 March 2005

Range of Warrantholdings	Number of Warrantholders	%	Number of Warrants	%
1 - 999	160	10.74	68,000	0.17
1,000 - 10,000	1,240	83.22	2,321,950	5.70
10,001 - 1,000,000	86	5.77	5,446,450	13.36
1,000,001 and above	4	0.27	32,929,000	80.77
Total	1,490	100.00	40,765,400	100.00

MAJOR WARRANTHOLDERS AS AT 21 MARCH 2005

No	Name of Warrantholder	Number of Warrants Held	%
1	FOO SUAN SAI	14,415,000	35.36
2	HAN JUAT HOON	11,481,000	28.16
3	YAOWALAK PHOOWARACHAI	5,247,000	12.87
4	KIM ENG SECURITIES PTE. LTD.	1,786,000	4.38
5	HERMAN HALIM	532,000	1.31
6	HSBC (SINGAPORE) NOMINEES PTE LTD	416,000	1.02
7	OCBC SECURITIES PRIVATE LTD	226,000	0.55
8	G K GOH STOCKBROKERS PTE LTD	213,800	0.53
9	NEO MOK CHOON	203,000	0.50
10	NEO HOCK CHIN	198,000	0.49
11	HAN PETER	160,000	0.39
12	DBS VICKERS SECURITIES (S) PTE LTD	153,750	0.38
13	TEO SU MING CELINE	125,000	0.31
14	ANG YONG SAI	120,000	0.29
15	SJAHNAN AYU	120,000	0.29
16	SOH KOK SENG	110,000	0.27
17	UOB KAY HIAN PTE LTD	101,200	0.25
18	TAN TJENG HIA	100,000	0.25
19	YAP CHING CHING	99,000	0.24
20	MAK BAG YUE	83,000	0.20
Total		35,889,750	88.04

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of the Company will be held at 11 Tuas Avenue 5, Singapore 639337 on Friday, 29 April 2005 at 11:00 a.m. to transact the following businesses :

ORDINARY BUSINESS :

1. To receive and consider the Directors' Report and Audited Accounts for the year ended 31 December 2004 and the Auditors' Report thereon — Resolution 1

2. To approve the payment of Directors' fees of S$105,000 for the financial year ended 31 December 2004. — Resolution 2

3. To declare a first and final dividend of 1.584 cents per ordinary share less tax for the financial year ended 31 December 2004. — Resolution 3

4. To re-elect Mr Chew Thiam Keng, who will retire by rotation pursuant to Article 106 of the Articles of Association of the Company and who, being eligible, will offer himself for re-election. — Resolution 4

   Mr Chew Thiam Keng will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

5. To re-appoint Messrs PricewaterhouseCoopers as Auditors and to authorise the Directors to fix their remuneration. — Resolution 5

SPECIAL BUSINESS :

6. To consider, and if thought fit, to pass the following Ordinary Resolution:- — Resolution 6

   That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Toshiaki Suzuki be re-appointed as a Director of the Company to hold office until the next Annual General Meeting.

   Mr Toshiaki Suzuki will, upon re-appointment as a Director of the Company, remain as a member of the Audit Committee and he will not be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

Notice of Annual General Meeting

To consider and, if thought fit, to pass with or without any modifications, the following resolution as Ordinary Resolution:

7. **Ordinary Resolution: Authority to allot and issue shares up to 50% of the Company's issued share capital**

"That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the directors of the Company to allot and issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter to such persons and upon such terms and conditions and for such purposes as the directors may in their absolute discretion deem fit provided always that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution, does not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders of the Company does not exceed 20% of the issued share capital of the Company and for the purpose of this Resolution, the issued share capital shall be the Company's issued share capital at the time this Resolution is passed (after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed and any subsequent consolidation or sub-division of the Company's shares) and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." (See Explanatory Note (i)) Resolution 7

8. To transact any other business which may be properly transacted at an Annual General Meeting.

Explanatory Notes:

(i) Resolution 7, if passed, will empower the directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities which the directors may allot and issue under this Resolution would not exceed 50 per cent of the issued share capital of the Company at the time this Resolution is passed. For allotment and issue of shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of shares and convertible securities to be allotted and issued shall not exceed 20 per cent of the total issued share capital of the Company at the time this Resolution is passed.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 11 May 2005, for the purpose of determining members' entitlements to the first and final dividend to be proposed at the Annual General Meeting of the Company to be held on 29 April 2005.

Duly completed registrable transfers in respect of the shares in the Company received up to the close of business at 5:00 p.m. on 10 May 2005 by the Company's Share Registrar, M & C Services Private Limited, 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906 will be registered to determine members' entitlements to the first and final dividend. Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares in the Company as at 5:00 p.m. on 10 May 2005 will be entitled to such proposed first and final dividend.

The proposed first and final dividend, if approved at the Annual General Meeting will be paid on 20 May 2005.

BY ORDER OF THE BOARD

Ho Boon Chuan Wilson
Low Mei Mei Maureen
Company Secretaries

Singapore: 11 April 2005

Note :

a) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

b) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 11 Tuas Avenue 5, Singapore 639337 not less than 48 hours before the meeting.

c) The form of proxy must be signed by the appointor or his attorney duly authorised in writing.

d) In the case of joint shareholders, all holders must sign the form of proxy.

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Proxy Form

IMPORTANT

1. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ____

of ____

being a member/members of **Multi-Chem Limited** (the "Company") hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at 11 Tuas Avenue 5, Singapore 639337 on Friday, 29 April 2005 at 11:00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
	ORDINARY BUSINESS		
1	To receive and consider Directors' and Auditors' Reports and Audited Accounts		
2	To approve payment of Directors' fees of S$105,000		
3	To approve payment of a first and final dividend		
4	To re-elect Director – Mr Chew Thiam Keng		
5	To re-appoint Auditors		
	SPECIAL BUSINESS		
6	That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Toshiaki Suzuki be re-appointed as a Director of the Company to hold office until the next Annual General Meeting.		
7	To authorise Directors to allot and issue shares and convertible securities pursuant to Section 161 of the Companies Act, Cap. 50		

Dated this ____________ day of ____________ 2005

Total number of Shares held

____

Signature(s) of member(s) or common seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Proxy Form

NOTES :

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50.

6. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 11 Tuas Avenue 5, Singapore 639337 not later than 48 hours before the time set for the Annual General Meeting.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register at 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Multi●Chem

The Hole Solution Provider

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Website: www.multichem.com.sg