



Multi-Chem Limited

(Incorporated in Singapore. Registration Number: 198500318Z)

Full Year Financial Statements and Dividend Announcement

For the financial year ended 31 December 2016

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CONSOLIDATED INCOME STATEMENT

Group	3 months ended			12 months ended		
	31/12/2016	31/12/2015	Change	31/12/2016	31/12/2015	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	96,357	96,032	0	361,450	347,057	4
Cost of sales	(82,130)	(82,744)	(1)	(304,787)	(294,367)	4
Gross profit	14,227	13,288	7	56,663	52,690	8
Other items of income						
- Interest income	38	103	(63)	386	491	(21)
- Other income	1,936	564	243	3,041	1,913	59
Other items of expense						
- Selling and distribution costs	(5,593)	(5,347)	5	(22,994)	(22,403)	3
- Administrative and other expenses	(4,631)	(5,755)	(20)	(22,020)	(23,252)	(5)
- Finance costs	(64)	(170)	(62)	(443)	(648)	(32)
- Share of results of an associate, net of tax	-	-	-	-	(30)	(100)
Profit before income tax	5,913	2,683	120	14,633	8,761	67
Income tax expense	(1,496)	(850)	76	(3,836)	(2,739)	40
Profit for the financial period/year	4,417	1,833	141	10,797	6,022	79
Profit attributable to:						
Owners of the parent	3,826	1,659	131	9,740	4,779	104
Non-controlling interests	591	174	240	1,057	1,243	(15)
	4,417	1,833	141	10,797	6,022	79
Earnings per share for profit attributable to owners of the parent during the financial period/year (expressed in cents per share)						
Basic	4.25 cents	1.84 cents		10.81 cents	5.30 cents	
Diluted	4.25 cents	1.84 cents		10.81 cents	5.30 cents	

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group	3 months ended			12 months ended		
	12/31/2016	12/31/2015	Change	12/31/2016	12/31/2015	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Profit for the financial period/year	4,417	1,833	141	10,797	6,022	79
Other comprehensive income for the financial period/year:						
<i>Items that may be reclassified subsequently to profit or loss</i>						
- Foreign currency differences on translation of foreign operations	2,506	(778)	(422)	(1,032)	2,816	(137)
- Fair value gain on available-for-sale financial assets	28	31	(10)	143	142	1
	2,534	(747)	(439)	(889)	2,958	(130)
<i>Items that will not be reclassified subsequently to profit or loss</i>						
- Remeasurements of post-employee benefits	(5)	127	(104)	(5)	127	(104)
Other comprehensive income for the financial period/year, net of tax	2,529	(620)	(508)	(894)	3,085	(129)
Total comprehensive income for the financial period/year	<u>6,946</u>	<u>1,213</u>	<u>473</u>	<u>9,903</u>	<u>9,107</u>	<u>9</u>
Total comprehensive income attributable to:						
Owners of the parent	5,920	1,038	470	8,641	7,469	16
Non-controlling interests	1,026	175	486	1,262	1,638	(23)
	<u>6,946</u>	<u>1,213</u>	<u>473</u>	<u>9,903</u>	<u>9,107</u>	<u>9</u>

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NOTES TO CONSOLIDATED INCOME STATEMENT

The profit after income tax is arrived at after (charging)/crediting:

Group	3 months ended			12 months ended		
	31/12/2016	31/12/2015	Change	31/12/2016	31/12/2015	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Other gains	711	337	111	1,816	1,686	8
Interest income	38	103	(63)	386	491	(21)
Interest expense	(64)	(170)	(62)	(443)	(648)	(32)
Amortisation of club memberships	(3)	(30)	(90)	(9)	(30)	(70)
Depreciation of property, plant and equipment	(2,019)	(893)	126	(4,177)	(4,837)	(14)
Allowance reversed/(made) for doubtful third parties receivables	1,390	(712)	(295)	550	(2,100)	(126)
Allowance reversed for doubtful third parties non-trade receivables	-	59	(100)	-	59	(100)
Bad third parties trade receivables written off	(2)	(527)	(100)	(3)	(544)	(99)
Allowance for inventory obsolescence	(373)	(1,021)	(63)	(1,267)	(3,112)	(59)
Inventories written off	(25)	(142)	(82)	(32)	(176)	(82)
Foreign exchange gain/(loss), net	1,112	438	154	578	(252)	(329)
Gain on disposals of a subsidiary	-	227	(100)	-	227	(100)
Gain/(Loss) on disposals of plant and equipment	114	(1)	(11,500)	97	(22)	(541)
Impairment loss of plant and equipment	-	(502)	(100)	-	(502)	(100)
Plant and equipment written off	(16)	(16)	-	(17)	(34)	(50)
Fair value change in derivative financial instruments	(2)	(27)	(93)	(138)	(27)	411

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STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	17,431	20,673	2,261	3,719
Investment property	-	-	2,637	1,684
Investments in subsidiaries	-	-	24,432	31,299
Club memberships	563	572	186	186
Deferred tax assets	2,056	2,386	-	-
Available-for-sale financial assets	4,290	4,047	4,290	4,047
Trade receivables	679	705	-	-
Prepayment	636	720	636	720
	25,655	29,103	34,442	41,655
Current assets				
Inventories	28,976	29,486	297	323
Trade and other receivables	84,021	87,012	33,065	31,769
Prepayments	1,401	1,707	172	228
Current income tax recoverable	2,553	3,051	199	199
Derivative financial instruments	2	17	-	-
Cash and cash equivalents	50,773	36,697	1,826	2,361
	167,726	157,970	35,559	34,880
Less:				
Current liabilities				
Trade and other payables	76,074	65,664	2,935	1,749
Finance lease payables	117	191	117	160
Bank borrowings	9,495	19,808	1,295	7,041
Current income tax payable	967	653	-	-
Derivative financial instruments	7	45	-	45
	86,660	86,361	4,347	8,995
Net current assets	81,066	71,609	31,212	25,885
Less:				
Non-current liabilities				
Finance lease payables	29	146	29	146
Bank borrowings	1,927	2,643	1,927	2,643
Provision for post-employee benefits	195	219	-	-
Deferred tax liabilities	4	-	-	-
	2,155	3,008	1,956	2,789
	104,566	97,704	63,698	64,751
Equity				
Share capital	37,288	37,288	37,288	37,288
Foreign currency translation reserve	3,433	4,670	-	-
Available-for-sale reserve	341	198	341	198
Other reserve	5,222	5,158	-	-
Retained earnings	50,388	43,699	26,069	27,265
Equity attributable to owners of the parent	96,672	91,013	63,698	64,751
Non-controlling interests	7,894	6,691	-	-
Total equity	104,566	97,704	63,698	64,751

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CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended		12 months ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES				
Profit before income tax	5,913	2,683	14,633	8,761
Adjustments for:				
- Allowance (reversed)/made for doubtful third parties trade receivables	(1,390)	712	(550)	2,100
- Allowance reversed for doubtful third parties non-trade receivables	-	(59)	-	(59)
- Allowance for inventory obsolescence	373	1,021	1,267	3,112
- Amortisation of club memberships	3	30	9	30
- Depreciation of property, plant and equipment	2,019	893	4,177	4,837
- Bad third parties trade receivables written off	2	527	3	544
- Fair value change in derivative financial instruments	2	27	138	27
- Gain on disposals of a subsidiary	-	(227)	-	(227)
- (Gain)/Loss on disposals of plant and equipment	(114)	1	(97)	22
- Impairment loss of plant and equipment	-	502	-	502
- Interest expense	64	170	443	648
- Interest income	(38)	(103)	(386)	(491)
- Inventories written off	25	142	32	176
- Plant and equipment written off	16	16	17	34
- Share of results of an associate	-	-	-	30
- Unrealised foreign exchange gain	(1,061)	(831)	(417)	(622)
Operating cash flows before working capital changes	5,814	5,504	19,269	19,424
Working capital changes:				
- Inventories	(2,427)	1,354	(326)	2,172
- Trade and other receivables	6,957	(12,233)	5,096	(6,735)
- Prepayments	(448)	(595)	383	(778)
- Provision for post-employee benefits	(33)	127	(33)	127
- Trade and other payables	4,699	8,020	8,343	1,291
Cash generated from operations	14,562	2,177	32,732	15,501
Interest received	38	103	386	491
Income tax paid	(893)	(484)	(2,716)	(2,825)
Net cash from operating activities	13,707	1,796	30,402	13,167

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CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	3 months ended		12 months ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	\$'000	\$'000	\$'000	\$'000
INVESTING ACTIVITIES				
Net cash outflow from disposal of derivative financial instruments	(17)	-	(161)	-
Proceeds from disposal of a subsidiary	-	2	-	2
Proceeds from disposal of an associate	-	-	-	194
Proceeds from disposals of plant and equipment	209	-	663	66
Purchase of club membership	-	(202)	-	(202)
Purchase of property, plant and equipment	(755)	(430)	(2,486)	(1,421)
Net cash used in investing activities	(563)	(630)	(1,984)	(1,361)
FINANCING ACTIVITIES				
Decrease in fixed deposits pledged	9,217	938	700	8,418
Proceeds from bank borrowings	21,129	24,917	72,236	72,746
Repayments of bank borrowings	(33,143)	(24,581)	(83,209)	(87,768)
Repayments of finance lease payables	(62)	(39)	(190)	(155)
Interest paid	(64)	(170)	(443)	(648)
Dividends paid to owners of the parent	(1,000)	(1,000)	(2,982)	(2,982)
Dividends paid to non-controlling shareholders	(59)	-	(59)	-
Net cash (used in)/from financing activities	(3,982)	65	(13,947)	(10,389)
Net change in cash and cash equivalents	9,162	1,231	14,471	1,417
Cash and cash equivalents at beginning of financial period/year	39,367	33,936	35,215	33,718
Effects of exchange rate changes on cash and cash equivalents	1,461	48	304	80
Cash and cash equivalents at end of financial period/year (Note 1)	49,990	35,215	49,990	35,215

Note 1

Cash and cash equivalents at end of financial period/year comprise of:

Cash and cash equivalents as per Statement of Financial Position	50,773	36,697	50,773	36,697
Less: Fixed deposits pledged with banks	(783)	(1,482)	(783)	(1,482)
	49,990	35,215	49,990	35,215

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STATEMENTS OF CHANGES IN EQUITY

Group	Share capital \$'000	Premium on acquisition of non-controlling interests \$'000	Available-for-sale reserve \$'000	Foreign currency translation reserve \$'000	Statutory reserve \$'000	Retained earnings \$'000	Equity attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2016	37,288	(123)	198	4,670	5,281	43,699	91,013	6,691	97,704
Profit for the financial year	-	-	-	-	-	9,740	9,740	1,057	10,797
Other comprehensive income for the financial year									
Foreign currency differences on translation of foreign operations	-	-	-	(1,237)	-	-	(1,237)	205	(1,032)
Remeasurement of post-employee benefits	-	-	-	-	-	(5)	(5)	-	(5)
Fair value gain on available-for-sale financial assets	-	-	143	-	-	-	143	-	143
Total comprehensive income for the financial year	-	-	143	(1,237)	-	9,735	8,641	1,262	9,903
Contributions by and distributions to the owners of the parent									
Dividends	-	-	-	-	-	(2,982)	(2,982)	-	(2,982)
Transfer to statutory reserve	-	-	-	-	64	(64)	-	-	-
Total transactions with the owners of the parent	-	-	-	-	64	(3,046)	(2,982)	-	(2,982)
Transactions with non-controlling shareholders									
Dividends	-	-	-	-	-	-	-	(59)	(59)
Total transactions with non-controlling shareholders	-	-	-	-	-	-	-	(59)	(59)
Balance at 31 December 2016	37,288	(123)	341	3,433	5,345	50,388	96,672	7,894	104,566
Balance at 1 January 2015	37,288	(123)	56	2,249	4,919	42,137	86,526	4,839	91,365
Profit for the financial year	-	-	-	-	-	4,779	4,779	1,243	6,022
Other comprehensive income for the financial year									
Foreign currency differences on translation of foreign operations	-	-	-	2,421	-	-	2,421	395	2,816
Remeasurement of post-employee benefits	-	-	-	-	-	127	127	-	127
Fair value gain on available-for-sale financial assets	-	-	142	-	-	-	142	-	142
Total comprehensive income for the financial year	-	-	142	2,421	-	4,906	7,469	1,638	9,107
Contributions by and distributions to the owners of the parent									
Dividends	-	-	-	-	-	(2,982)	(2,982)	-	(2,982)
Transfer to statutory reserve	-	-	-	-	362	(362)	-	-	-
Total transactions with the owners of the parent	-	-	-	-	362	(3,344)	(2,982)	-	(2,982)
Transactions with non-controlling shareholders									
Disposal of non-controlling interests	-	-	-	-	-	-	-	214	214
Total transactions with non-controlling shareholders	-	-	-	-	-	-	-	214	214
Balance at 31 December 2015	37,288	(123)	198	4,670	5,281	43,699	91,013	6,691	97,704

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STATEMENTS OF CHANGES IN EQUITY (Continued)

Company	Share capital \$'000	Retained earnings \$'000	Available-for-sale reserve \$'000	Total equity \$'000
Balance at 1 January 2016	37,288	27,265	198	64,751
Profit for the financial year	-	1,786	-	1,786
Other comprehensive income for the financial year				
Fair value gain on available-for-sale financial assets	-	-	143	143
Total comprehensive income for the financial year	-	1,786	143	1,929
Transaction with the owners				
Dividends	-	(2,982)	-	(2,982)
Total transactions with the owners	-	(2,982)	-	(2,982)
Balance at 31 December 2016	37,288	26,069	341	63,698
Balance at 1 January 2015	37,288	28,609	56	65,953
Profit for the financial year	-	1,638	-	1,638
Other comprehensive income for the financial year				
Fair value gain on available-for-sale financial assets	-	-	142	142
Total comprehensive income for the financial year	-	1,638	142	1,780
Transaction with the owners				
Dividends	-	(2,982)	-	(2,982)
Total transactions with the owners	-	(2,982)	-	(2,982)
Balance at 31 December 2015	37,288	27,265	198	64,751

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A review of the financial performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonable or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVENUE

The Group achieved revenue of \$96.4m for the three months ended 31 December 2016 ("4Q2016"), a slight increase of 0.4% or \$0.4m compared to the revenue of \$96.0m for the three months ended 31 December 2015 ("4Q2015"). For the twelve months ended 31 December 2016 ("12M2016"), the Group achieved revenue of \$361.5m, a year-on-year increase of 4.2% or \$14.5m, compared to revenue of \$347.0m achieved for the twelve months ended 31 December 2015 ("12M2015").

Comparing 4Q2016 to three months ended 30 September 2016 ("3Q2016"), the Group revenue increased by 4.7% or \$4.3m, from \$92.1m to \$96.4m.

For 4Q2016, the IT Division accounted for 93.3% of the Group's revenue, while the PCB Division accounted for the remaining 6.7% of the Group's revenue.

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REVENUE

PCB Division

Revenue in this Division increased by 16.1% or \$0.9m, from \$5.6m in 4Q2015 to \$6.5m in 4Q2016 mainly due to higher productivity achieved as a result of changes in customer requirements.

Comparing 4Q2016 to 3Q2016, revenue in this Division decreased by 7.1% or \$0.5m from \$7.0m in 3Q2016 to \$6.5m in 4Q2016 mainly due to the uncertainty in the global economic outlook.

IT Division

The IT Distribution business achieved quarterly revenue of \$89.9m in 4Q2016, a slight decrease of 0.6% or \$0.5m, from \$90.4m in 4Q2015. On a full year basis, this business grew by 4.2% or \$13.4m, from \$321.4m in 12M2015 to \$334.8m in 12M2016.

Comparing 4Q2016 to 3Q2016, revenue increased by 5.6% or \$4.8m, from \$85.1m in 3Q2016 to \$89.9m in 4Q2016.

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PROFIT BEFORE TAX (“PBT”)

The Group registered a PBT of \$5.9m in 4Q2016, as compared to \$2.7m in 4Q2015.

The increase in PBT was mainly due to the following:-

- (1) An increase of \$0.9m in gross profit mainly due to an increase in gross profit margin by 1.0 percentage point from 13.8% in 4Q2015 to 14.8% in 4Q2016. The increase in gross profit margin was mainly due to:
 - An increase in revenue in the high operating leverage PCB Division. Given the fixed cost of depreciation on laser and mechanical drilling machines, the gross margin is particularly sensitive to changes in production volumes;
 - A decrease in allowance for inventory obsolescence from \$1.0m in 4Q2015 to \$373,000 in 4Q2016 based on the review of inventory obsolescence performed;
- (2) Reversal of allowance for doubtful third parties receivables of \$1.4m in 4Q2016 mainly due to collections received, as compared to allowance for doubtful third parties receivables of \$653,000 in 4Q2015;
- (3) A decrease of \$525,000 in third parties receivables written off from \$527,000 in 4Q2015 to \$2,000 in 4Q2016;
- (4) An impairment loss of plant and equipment of \$502,000 in 4Q2015. There was no such impairment in 4Q2016;
- (5) Gain on disposals of plant and equipment of \$114,000 in 4Q2016, as compared to loss on disposals of plant and equipment of \$1,000 in 4Q2015; and
- (6) An increase in net foreign exchange gain from \$438,000 in 4Q2015 to \$1.1m in 4Q2016 mainly due to appreciation of United States dollar against Singapore dollar. Excluding net foreign exchange gain, the Group reported a PBT of \$4.8m in 4Q2016 compared to PBT of \$2.2m in 4Q2015.

The increase in PBT was however pared by the following:

- (1) An increase in depreciation charge from \$893,000 in 4Q2015 to \$2.0m in 4Q2016 mainly due to additional depreciation charged as a result of the change in estimate on the residual value of the machineries during the review performed at the end of financial year. The change in estimate is mainly due to plant and machineries recorded under historical exchange rate, and the residual value is not reflective of the current exchange rate.
- (2) Gain on disposal of a subsidiary of \$227,000 in 4Q2015. There is no such disposal in 4Q2016.

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PROFIT BEFORE TAX (“PBT”) (Continued)

Comparing 4Q2016 to 3Q2016, the Group PBT stood at \$5.9m in 4Q2016 as compared to \$3.0m in 3Q2016.

The increase in PBT was mainly due to the following:-

- (1) Reversal of allowance for doubtful third parties receivables of \$1.4m in 4Q2016 mainly due to collections received, as compared to allowance for doubtful third parties receivables of \$1.2m in 3Q2016;
- (2) An increase in net foreign exchange gain from \$918,000 in 3Q2016 to \$1.1m in 4Q2016 mainly due to appreciation of United States dollar against Singapore dollar;
- (3) An increase in other gains from \$118,000 in 3Q2016 to \$711,000 in 4Q2016, mainly due to reclassification of freight income from revenue at the end of financial year end; and
- (4) A decrease of \$832,000 in staff costs in 4Q2016 as compared to 3Q2016 mainly due to reversal of accrued staff costs in 4Q2016.

The increase in PBT was however pared by the following:

- (1) An increase in depreciation charge from \$1.0m in 3Q2016 to \$2.0m in 4Q2016 mainly due to additional depreciation charged as a result of the change in estimate on the residual value of the machineries during the review performed at the end of financial year.

PROFIT AFTER TAX (“PAT”)

Group PAT increased from a profit of \$1.8m in 4Q2015 to a profit of \$4.4m in 4Q2016. Comparing 4Q2016 to 3Q2016, Group PAT increased from a profit of \$2.5m in 3Q2016 to profit of \$4.4m in 4Q2016. This was largely in line with the changes in PBT.

Income tax expenses comprised mainly current income tax, deferred tax and withholding tax expenses of the Company and its subsidiaries. Income tax expenses increased from \$850,000 in 4Q2015 to \$1.5m in 4Q2016 mainly due to income tax expenses for entities with higher taxable profits generated.

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STATEMENTS OF FINANCIAL POSITION REVIEW

Presented below is a review of material changes in the key statements of financial position items for the financial year ended 31 December 2016.

Cash and cash equivalents at the Group level increased by \$14.1m from \$36.7m to \$50.8m. The increase was mainly due to collections from customers net of payment to suppliers. At the Company level, cash and cash equivalents decreased from \$2.4m to \$1.8m, mainly due to repayment of bank borrowings and advance to a subsidiary.

Trade and other receivables of the Group decreased by \$3.0m from \$87.7m to \$84.7m, due to collections received from customers. At the Company level, Trade and other receivables increased by \$1.3m from \$31.8m to \$33.1m was mainly due to advance to a subsidiary.

Inventories at the Group level decreased by \$0.5m from \$29.5m to \$29.0m mainly due to the decrease in IT inventories attributed by better inventory management.

Property, plant and equipment decreased by \$3.3m from \$20.7m to \$17.4m at the Group level mainly due to depreciation charge and disposal of plant and equipment, net of purchase of new plant and equipment. The decrease at the Company level was mainly due to depreciation charge and disposal of plant and equipment, net of purchase of new plant and equipment.

Investment properties increased by \$0.9m from \$1.7m to \$2.6m at the Company level mainly due to the purchase of a new property to support the operations of the subsidiaries, net of depreciation charge. The investment properties are treated as property, plant and equipment at the Group level.

Investments in subsidiaries decreased by \$6.9m from \$31.3m to \$24.4m at the Company level mainly due to capital reduction in one of the subsidiaries.

Trade and other payables increased by \$10.4m from \$65.7m to \$76.1m at the Group level due mainly to higher year-end purchases for certain big deals and advance receipts. At Company level, Trade and other payables increased from \$1.7m to \$2.9m mainly due to the increase in accrued expenses.

Borrowings decreased significantly at both Group and Company level mainly due to repayment made, net of loan drawdown.

Foreign currency translation reserve at the Group level decreased from \$4.7m to \$3.4m mainly due to depreciating Chinese renminbi against Singapore dollar.

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CASH FLOW ANALYSIS

Net cash of \$30.4m was generated from operating activities in 12M2016, as compared to net cash of \$13.2m in 12M2015. This was mainly due to collection from customers and longer credit term given by vendors in support of certain bigger projects.

Net cash of \$2.0m was used in investing activities in 12M2016, as compared to \$1.4m used in 12M2015. The changes were mainly due to purchase of property, plant and equipment of \$2.5m, cash outflow from derivative financial instruments of \$161,000, net of proceeds from disposals of plant and equipment of \$663,000 in 12M2016, as compared to purchase of plant and equipment of \$1.4m, purchase of club membership of \$202,000, net of proceeds from disposals of plant and equipment of \$66,000 and proceeds from disposals of an associate of \$194,000 in 12M2015.

Net cash of \$13.9m was used in financing activities in 12M2016 as compared to \$10.4m used in 12M2015. This was mainly due to repayment of bank borrowings of \$83.2m, dividend payment of \$3.0m, net of proceeds from bank borrowings of \$72.2m in 12M2016, as compared to repayment of bank borrowings of \$87.8m, dividend payment of \$3.0m, net of proceeds from bank borrowings of \$72.7m and a lift in pledged fixed deposits of \$8.4m in 12M2015.

Cash and cash equivalents stood at \$50.0m as at end of 31 December 2016, up from \$35.2m as at the end of 31 December 2015.

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A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next twelve months.

PCB

Comparing 4Q2016 to 4Q2015, revenue for this quarter increased by 16.1% or \$0.9m from \$5.6m in 4Q2015 to \$6.5m in 4Q2016. On a twelve months basis, revenue increased by 4.3% or \$1.1m from \$25.6m in 12M2015 to \$26.7m in 12M2016.

The Group is currently one of the leading PCB drilling service providers in terms of capacity and technology in Eastern China. As at 31 December 2016, the Group has 132 mechanical drilling machines and 21 laser drilling machines. In 4Q2016, the Group sold 2 mechanical drilling machines. The Group will continue to be selective of its customers, rationalise operations, manage headcount and conserve cash.

IT

The IT business through Singapore and the regional offices achieved an increase in revenue of 4.2% or \$13.4m from \$321.4m in 12M2015 to \$334.8m in 12M2016. Comparing 4Q2016 to 4Q2015, revenue decreased by 0.6% or \$0.5m from \$90.4m in 4Q2015 to \$89.9m in 4Q2016.

The Group has a focused strategy of selling and promoting only the best-of-breed IT products. Among the products the Group currently carries are industry-leading IT products from Blue Coat, Check Point, Cyberark, Imperva, Riverbed and RSA.

To promote technical competency internally and to train its partners, the Group is able to provide certified IT training through the Education Services Division of M.Tech Products Pte Ltd, which is authorised to conduct training for Allot, Blue Coat, Check Point and Nutanix courses. The Education Services Division is able to provide training courses for MobileIron and SolarWinds too. This business is complementary to the core IT distribution business and is expected to bring about more awareness and technical knowledge through the courses conducted.

As at 31 December 2016, the Group's IT business has a presence in 29 cities in 15 countries in the Asia Pacific region and Europe. M.Tech offices in countries that are already mature in operations are expected to contribute more to the Group's performance.

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IT (Continued)

The near term outlook in the IT business is dependent on events such as those political or economic in nature and such events could affect business in certain markets. Global economic outlook remains uncertain after the recent U.K. referendum and US presidential election, and the Group's business could be affected to some extent. With the recent increase in US interest rates, the cost of business is expected to similarly increase. However, IT is still a critical requirement in businesses and security will continue to remain an integral part of the IT infrastructure. This should augur well for the Group as more efforts are put into growing the IT business.

For growth, the Group will focus on its best-of-breed products and will continue to look out for opportunities for regional expansion. The Group will also be selective of the products we carry so as to be able to do the best for the principals that the M.Tech companies represent. The Group will also promote the M.Tech brand name and intends to work closely with key partners to further promote the products.

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Risk Factors

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

The Group's success in the China market will depend on our ability to maintain our technological, quality assurance, capacity and pricing advantage over our competitors. Additionally, we have to monitor trade receivables closely as collection generally takes longer in China. The Group is tightening the credit assessment on customers for all regions.

The Group, with significant investment in China, is also exposed to the political, legal and economic climates of the country. Such risks pertaining to the political, legal and economic climates extend to the other markets in which the Group is operating.

We are also exposed to foreign exchange risks as we mainly transact with our suppliers, vendors and customers in Singapore dollar, US dollar, Chinese renminbi, Thailand baht, Malaysian ringgit, Indian rupee and to a lesser extent, Euro, Indonesian rupiah, Philippines peso, Hong Kong dollar, Korean won, Japanese yen, Taiwan dollar, Vietnam dong, Australian dollar, New Zealand dollar and British Pound. The Group may, from time to time, enter into borrowing and foreign currency arrangements to reduce its foreign currency exposure. The Group expects to be exposed to a higher foreign exchange risk with the current volatility of the US dollar against some of the local currencies we collect from the customers.

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

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

The actual results for 12M2016 were largely in line with the prospect commentary disclosed to the shareholders on 5 February 2016.

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NOTES TO THE FINANCIAL STATEMENTS

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

Amount repayable in one year or less, or on demand

As at 31 Dec 2016		As at 31 Dec 2015	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
1,412	8,200	2,091	17,908

Amount repayable after one year

As at 31 Dec 2016		As at 31 Dec 2015	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
1,956	-	2,789	-

Additional information and details of any collateral

The secured borrowings are secured on the Group's two properties, two motor vehicles, available-for-sale investment and fixed deposits placed with the financial institutions.

2. SHARE CAPITAL

Group	Issued shares '000	Share capital \$'000	Total share capital \$'000
Balance at 1 Jan 2016 and 31 Dec 2016	90,095	37,288	37,288
Balance at 1 Jan 2015 (before share consolidation)	360,381	37,288	37,288
Balance at 31 Dec 2015	90,095	37,288	37,288

3. A statement showing all sales, transfers, disposal, cancellation and/or issue of treasury shares as at the end of the current financial period reported on.

Not applicable.

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NOTES TO THE FINANCIAL STATEMENTS

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited annual financial statements for the financial year ended 31 December 2015. In addition, the Group also adopted various revisions to the FRS, which became effective during the period. The said adoption has no significant impact to the financial statements of the Group.

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

Not applicable.

- 6. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

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

- 7. Where the figures have been audited or reviewed, the auditor's report (including any qualification of emphasis of a matter).**

Not applicable.

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

Group	3 months ended		12 months ended	
Earnings per share attributable to owners of the parent during the financial period/year (expressed in cents per share)	31-Dec-2016	31-Dec-2015	31-Dec-2016	31-Dec-2015
(i) Based on weighted average number of shares	4.25 cents	1.84 cents	10.81 cents	5.30 cents
- Weighted average number of shares ('000)	90,095	90,095	90,095	90,095
(ii) On fully diluted basis	4.25 cents	1.84 cents	10.81 cents	5.30 cents
- Adjusted weighted average number of shares ('000)	90,095	90,095	90,095	90,095

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NOTES TO THE FINANCIAL STATEMENTS

9. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	Group		Company	
	31-Dec-2016	31-Dec-2015	31-Dec-2016	31-Dec-2015
Net asset value per share based on existing issued share capital as at the respective period	107.30 cents	101.02 cents	70.70 cents	71.87 cents

The net asset value per ordinary share at the end of the current period and the immediately preceding financial year have been calculated based on 90,095,000 ordinary shares.

10. DIVIDEND

(a) Current Financial Year Reported On

Name of Dividend	2016 Interim Ordinary Tax Exempt – 1-Tier	Proposed 2016 Final Ordinary Tax Exempt – 1-Tier	2016 Total
Dividend Type	Cash	Cash	Cash
Dividend Amount (Cents Per Share)	1.11	3.30	4.41

(b) Corresponding Year of the Immediately Preceding Financial Year

Name of Dividend	2015 Interim Ordinary Tax Exempt – 1-Tier	2015 Final Ordinary Tax Exempt – 1-Tier	2015 Total
Dividend Type	Cash	Cash	Cash
Dividend Amount (Cents Per Share)	1.11	2.20	3.31

(c) Book closure date and dividend payment date

The proposed final tax exempt 1-Tier dividend of 3.30 cents per ordinary share, if approved by shareholders at the next Annual General Meeting to be convened, will be paid on 25 May 2017.

The book closure date of the final dividend will be on 18 May 2017.

11. **If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions. If no IPT mandate has been obtained, a statement to that effect.**

There is no general mandate from shareholders for IPTs obtained.

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12. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company confirmed that it has procured undertakings from all its directors and executive officer under Rule 720(1) of the Listing Manual.

13. ADDITIONAL INFORMATION

i) SEGMENT INFORMATION

	Singapore		China		Others		
12 months ended	PCB business	IT business	PCB business	IT business	IT business	Elimination and adjustments	Total
31 December 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue							
- External sales	3,480	146,431	23,227	51,386	136,926		361,450
- Inter-segment sales	-	35	-	-	5	(40)	-
Total revenue	3,480	146,466	23,227	51,386	136,931	(40)	361,450
Segment results							
Interest income				147	239	-	386
Interest expense				(9)	(434)	-	(443)
Depreciation of property, plant and equipment				(3,464)	(713)	-	(4,177)
<i>Other material non-cash items:</i>							
- (Loss)/Gain on disposals of plant and equipment				(109)	206	-	97
- Bad third parties trade receivables written off				-	(3)	-	(3)
- Inventories written off				-	(32)	-	(32)
- Plant and equipment written off				-	(17)	-	(17)
- Unrealised foreign exchange gain/(loss)				800	(383)	-	417
- Allowance for inventory obsolescence				(7)	(1,260)	-	(1,267)
- Reversal of allowance for doubtful third parties trade receivables				-	550	-	550
- Amortisation of club membership				-	(9)	-	(9)
- Fair value change in derivative financial instruments				(117)	(21)	-	(138)
Segment profit	3,794			10,839		-	14,633

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13. ADDITIONAL INFORMATION (Continued)

i) SEGMENT INFORMATION (Continued)

	Singapore		China		Others		
	PCB business	IT business	PCB business	IT business	IT business	Unallocated	Total
2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital expenditure							
Property, plant and equipment	1,036	889	150	3	408	-	2,486
Assets and liabilities							
Segment assets	13,110	80,602	19,350	19,811	55,899	4,609	193,381
Segment liabilities	6,106	48,418	4,010	5,364	23,945	972	88,815

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13. ADDITIONAL INFORMATION (Continued)

i) SEGMENT INFORMATION (Continued)

	Singapore		China		Others		
12 months ended	PCB business	IT business	PCB business	IT business	IT business	Elimination and	Total
31 December 2015	\$'000	\$'000	\$'000	\$'000	\$'000	adjustments	\$'000
Revenue							
- External sales	4,733	130,768	20,889	49,748	140,919		347,057
- Inter-segment sales	-	118	-	-	13	(131)	-
Total revenue	4,733	130,886	20,889	49,748	140,932	(131)	347,057
				PCB business	IT business	Elimination and	Total
				\$'000	\$'000	adjustments	\$'000
Segment results							
Interest income				296	195	-	491
Interest expense				(12)	(636)	-	(648)
Depreciation of property, plant and equipment				(3,980)	(857)	-	(4,837)
Share of results of an associate, net of tax				(30)	-	-	(30)
<i>Other material non-cash items:</i>							
- Impairment of plant and equipment				(502)	-	-	(502)
- (Loss)/Gain on disposals of plant and equipment				(28)	6	-	(22)
- Inventories written off				1	(177)	-	(176)
- Unrealised foreign exchange (loss)/gain				(306)	928	-	622
- Allowance for inventory obsolescence				(12)	(3,100)	-	(3,112)
- Allowance for doubtful third parties trade receivables				-	(2,100)	-	(2,100)
- Amortisation of club membership				-	(30)	-	(30)
- Reversal of allowance for third party non-trade receivables				-	59	-	59
- Fair value change in derivative financial instruments				(45)	18	-	(27)
Segment profit				2,575	6,186	-	8,761

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13. ADDITIONAL INFORMATION (Continued)

i) SEGMENT INFORMATION (Continued)

	Singapore		China		Others		
	PCB business	IT business	PCB business	IT business	IT business	Unallocated	Total
2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital expenditure							
Property, plant and equipment	573	439	355	38	216	-	1,621
Assets and liabilities							
Segment assets	14,236	62,564	31,710	22,430	50,697	5,436	187,073
Segment liabilities	11,532	52,036	1,578	8,275	15,295	653	89,369

Geographical segments

	Singapore		China		Others		Total	
	12 months ended		12 months ended		12 months ended		12 months ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	127,427	114,972	70,329	66,760	163,694	165,325	361,450	347,057

	Singapore		China		Others		Total	
	as at		as at		as at		as at	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets	9,581	9,659	8,529	11,989	520	317	18,630	21,965

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13. ADDITIONAL INFORMATION (Continued)

ii) BREAKDOWN OF SALES

	2016 \$'000	2015 \$'000	Increase / (Decrease) %
Sales reported for first half year	173,019	167,157	4
Profit after tax before deducting non-controlling interests reported for first half year	3,831	3,907	(2)
Sales reported for second half year	188,431	179,900	5
Profit after tax before deducting non-controlling interests reported for second half year	6,966	2,115	229

14. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer.

There is no person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer.

BY ORDER OF THE BOARD

Foo Suan Sai
Chief Executive Officer
10 February 2017