



# MEGACHEM LIMITED

## Un-audited Financial Statements and Dividend Announcement

For The Full Year Ended  
31 December 2013

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This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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**UNAUDITED RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2013**

The directors of Megachem Limited are pleased to advise the following unaudited results of the Group for the full year ended 31 December 2013.

**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FULL YEAR ENDED 31 DECEMBER 2013**

	For the full year	For the full year	Variance	
	ended	ended	Favourable/(Unfavourable)	
	31 December 2013	31 December 2012	S\$'000	%
	S\$	S\$		
Sales	108,683,715	106,264,005	2,420	2.3%
Cost of sales	<u>(87,104,480)</u>	<u>(84,419,785)</u>	(2,685)	(3.2%)
<b>Gross profit</b>	<b>21,579,235</b>	21,844,220	(265)	(1.2%)
Other operating income	211,775	413,862	(202)	(48.8%)
Distribution costs	<b>(11,265,151)</b>	(10,813,814)	(451)	(4.2%)
Administrative expenses	<b>(4,630,697)</b>	(4,303,096)	(328)	(7.6%)
Other operating expenses	<b>(3,378,251)</b>	(3,536,733)	158	4.5%
Finance costs	<b>(376,177)</b>	(364,310)	(12)	(3.3%)
Share of profit of associated companies	1,710,064	1,234,276	476	38.5%
<b>Profit before income tax</b>	<b>3,850,798</b>	4,474,405	(624)	(13.9%)
Income tax expense	<u>(1,064,874)</u>	<u>(1,083,987)</u>	19	1.8%
<b>Net profit</b>	<b>2,785,924</b>	3,390,418	(604)	(17.8%)
Other comprehensive income:				
Exchange differences on translating foreign operations, net of tax	<u>(280,581)</u>	<u>(542,030)</u>	261	48.2%
<b>Total comprehensive income</b>	<b>2,505,343</b>	2,848,388	(343)	(12.0%)
Net profit attributable to:				
Equity holders of the Company	2,500,679	3,167,994	(667)	(21.1%)
Non-controlling interests	<u>285,245</u>	<u>222,424</u>	63	28.2%
<b>Net profit</b>	<b>2,785,924</b>	3,390,418	(604)	(17.8%)
Total comprehensive income attributable to:				
Equity holders of the Company	2,193,241	2,653,168	(460)	(17.3%)
Non-controlling interests	<u>312,102</u>	<u>195,220</u>	117	59.9%
<b>Total comprehensive income</b>	<b>2,505,343</b>	2,848,388	(343)	(12.0%)
Earnings per share of profit attributable to equity holders of the Company during the financial period				
- basic and diluted	<u>1.88 cents</u>	<u>2.38 cents</u>		

The following items have been included in arriving at profit for the year:

	<b>For the full year ended 31 December 2013</b>	For the full year ended 31 December 2012
	<b>S\$</b>	S\$
<u>Other operating income</u>		
Bad debt recovered	<b>7,959</b>	173,548
Change in fair value of financial assets held for trading	<b>101,688</b>	17,745
Dividend income	<b>527</b>	558
Gain on disposal of property, plant and equipment	<b>6,932</b>	70,686
Grant income	<b>14,700</b>	60,798
Interest income from banks	<b>43,917</b>	54,188
Management fees	<b>18,559</b>	23,536
Rental income	<b>17,493</b>	12,803
	<b>211,775</b>	413,862
Change in fair value of financial assets held for trading		
- forward foreign exchange contracts	<b>92,688</b>	17,745
Change in fair value of financial assets held for trading		
- listed equity security	<b>9,000</b>	(14,500)
Change in fair value of financial liabilities held for trading		
- forward foreign exchange contracts	<b>(45,756)</b>	(17,463)
Depreciation and amortisation	<b>(1,477,242)</b>	(1,093,935)
Interest on borrowings	<b>(376,177)</b>	(364,310)
Impairment of trade receivables	<b>(95,329)</b>	(115,231)
Net foreign exchange loss	<b>(658,956)</b>	(673,550)
Write off of inventory	<b>(246,368)</b>	(111,113)
Adjustment for (under)/over provision for tax in respect of prior financial years	<b>(72,283)</b>	82,090

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

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013**

	<u>Group</u>		<u>Company</u>	
	31 December 2013 S\$	31 December 2012 S\$	31 December 2013 S\$	31 December 2012 S\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances	8,541,129	8,055,895	1,562,182	2,178,814
Trade and other receivables	26,066,257	24,396,213	16,622,520	15,019,843
Inventories	19,824,073	19,795,568	10,497,460	10,060,136
Financial assets held for trading	132,688	48,745	41,440	31,000
Other current assets	1,946,472	1,903,889	359,609	380,668
	<b>56,510,619</b>	<b>54,200,310</b>	<b>29,083,211</b>	<b>27,670,461</b>
<b>Non-current assets</b>				
Transferable club memberships	30,818	31,889	4,001	4,001
Investment in associated companies	6,239,604	5,407,581	99,949	99,949
Investments in subsidiaries	-	-	4,484,251	4,984,251
Investment property	110,348	118,517	-	-
Property, plant and equipment	11,828,672	12,495,571	2,088,836	1,910,475
	<b>18,209,442</b>	<b>18,053,558</b>	<b>6,677,037</b>	<b>6,998,676</b>
<b>Total assets</b>	<b>74,720,061</b>	<b>72,253,868</b>	<b>35,760,248</b>	<b>34,669,137</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	14,156,136	14,146,009	5,694,079	5,344,228
Current income tax liabilities	296,316	324,297	101,829	145,900
Borrowings	17,673,530	11,957,378	10,308,842	8,021,804
Financial liabilities held for trading	45,756	17,463	-	10,368
	<b>32,171,738</b>	<b>26,445,147</b>	<b>16,104,750</b>	<b>13,522,300</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	40,000	-	40,000	-
Borrowings	-	4,050,000	-	-
	<b>40,000</b>	<b>4,050,000</b>	<b>40,000</b>	<b>-</b>
<b>Total liabilities</b>	<b>32,211,738</b>	<b>30,495,147</b>	<b>16,144,750</b>	<b>13,522,300</b>
<b>NET ASSETS</b>	<b>42,508,323</b>	<b>41,758,721</b>	<b>19,615,498</b>	<b>21,146,837</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	15,892,028	15,892,028	15,892,028	15,892,028
Other reserves	(2,694,794)	(2,387,356)	-	-
Retained earnings	27,118,465	26,350,686	3,723,470	5,254,809
	<b>40,315,699</b>	<b>39,855,358</b>	<b>19,615,498</b>	<b>21,146,837</b>
<b>Non-controlling interests</b>	<b>2,192,624</b>	<b>1,903,363</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>42,508,323</b>	<b>41,758,721</b>	<b>19,615,498</b>	<b>21,146,837</b>

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

Amount repayable in one year or less, or on demand

As at 31 December 2013		As at 31 December 2012	
Secured	Unsecured	Secured	Unsecured
S\$4,880,719	S\$12,792,811	S\$1,856,885	S\$10,100,493

Amount repayable after one year

As at 31 December 2013		As at 31 December 2012	
Secured	Unsecured	Secured	Unsecured
-	-	S\$4,050,000	-

#### Details of collateral

The secured borrowings were collateralized on:

- i. fixed and floating charges over all the assets and undertaking of a subsidiary, including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future; and
- ii. mortgage over property located at 11 Tuas Link 1 Singapore 638588.

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

**CONSOLIDATED CASH FLOW STATEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2013**

	For the full year ended 31 December 2013 S\$	For the full year ended 31 December 2012 S\$
<b>Cash flows from operating activities</b>		
Net profit	2,785,924	3,390,418
Adjustments for:		
Change in fair value of financial assets held for trading	(9,000)	14,500
Depreciation charge	1,477,242	1,093,935
Dividend income	(527)	(558)
Gain on disposal of property, plant and equipment	(6,932)	(70,686)
Share of profit of associated companies	(1,710,064)	(1,234,276)
Income tax expense	1,064,874	1,083,987
Interest income	(43,917)	(54,188)
Finance costs	376,177	364,310
Operating cash flow before working capital changes	<u>3,933,777</u>	<u>4,587,442</u>
Change in operating assets and liabilities		
Trade and other receivables	(1,712,627)	(1,736,329)
Inventories	(28,505)	1,453,107
Financial assets held for trading	(74,943)	(15,886)
Trade and other payables	538,958	3,150,638
Financial liabilities held for trading	28,293	9,125
Foreign exchange adjustment differences	(37,967)	(108,944)
Cash generated from operations	<u>2,646,986</u>	<u>7,339,153</u>
Income tax paid	(1,128,981)	(1,237,542)
Interest received	43,917	54,188
<b>Net cash from operating activities</b>	<u>1,561,922</u>	<u>6,155,799</u>
<b>Cash flows from investing activities</b>		
Dividends received from associated company	779,629	172,579
Purchase of property, plant and equipment	(1,353,619)	(4,346,917)
Proceeds from sale of property, plant and equipment	8,886	80,231
<b>Net cash used in investing activities</b>	<u>(565,104)</u>	<u>(4,094,107)</u>
<b>Cash flows from financing activities</b>		
Dividends paid	(1,732,900)	(1,732,900)
Dividends paid by subsidiary to non-controlling shareholders	(22,841)	(23,218)
Proceeds from/(repayments of) borrowings	377,799	(302,576)
Repayment of long term bank loan	(600,000)	(350,000)
Proceeds from short term bank loans	1,712,860	1,335,630
Refunds of prior year unclaimed dividends	-	654
Repayment of finance lease liability	-	(11,560)
Interest paid	(384,023)	(366,575)
<b>Net cash used in financing activities</b>	<u>(649,105)</u>	<u>(1,450,545)</u>
<b>Net increase in cash and cash equivalents held</b>	<b>347,713</b>	<b>611,147</b>
Cash and cash equivalents at beginning of the financial year	8,055,895	7,612,909
Effects of exchange rate changes on cash and cash equivalents	35,820	(168,161)
<b>Cash and cash equivalents at end of the financial year</b>	<u>8,439,428</u>	<u>8,055,895</u>
Cash and cash equivalents comprised the followings:		
Cash and bank balances	8,541,129	8,055,895
Less: bank overdraft	(101,701)	-
	<u>8,439,428</u>	<u>8,055,895</u>

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

**STATEMENTS OF CHANGES IN EQUITY FOR THE FULL YEAR ENDED 31 DECEMBER 2013**

	Attributable to equity holders of the Company					
	Total equity S\$	Parent Sub-total S\$	Share capital S\$	Other reserves S\$	Retained earnings S\$	Non-controlling interests S\$
<u>The Group</u>						
<b>Balance at 1 January 2013</b>	41,758,721	39,855,358	15,892,028	(2,387,356)	26,350,686	1,903,363
Total comprehensive income for the financial year	2,505,343	2,193,241	-	(307,438)	2,500,679	312,102
Final dividend relating to 2012 paid	(1,355,841)	(1,333,000)	-	-	(1,333,000)	(22,841)
Interim dividend relating to 2013 paid	(399,900)	(399,900)	-	-	(399,900)	-
<b>Balance at 31 December 2013</b>	<b>42,508,323</b>	<b>40,315,699</b>	<b>15,892,028</b>	<b>(2,694,794)</b>	<b>27,118,465</b>	<b>2,192,624</b>
<b>Balance at 1 January 2012</b>	40,665,797	38,934,436	15,892,028	(1,872,530)	24,914,938	1,731,361
Total comprehensive income for the financial year	2,848,388	2,653,168	-	(514,826)	3,167,994	195,220
Final dividend relating to 2011 paid	(1,356,218)	(1,333,000)	-	-	(1,333,000)	(23,218)
Interim dividend relating to 2012 paid	(399,900)	(399,900)	-	-	(399,900)	-
Prior years unclaimed dividends refunded	654	654	-	-	654	-
<b>Balance at 31 December 2012</b>	<b>41,758,721</b>	<b>39,855,358</b>	<b>15,892,028</b>	<b>(2,387,356)</b>	<b>26,350,686</b>	<b>1,903,363</b>



<u>The Company</u>	Total equity S\$	Share capital S\$	Retained earnings S\$
<b>Balance at 1 January 2013</b>	21,146,837	15,892,028	5,254,809
Total comprehensive income for the financial year	201,561	-	201,561
Final dividend relating to 2012 paid	(1,333,000)	-	(1,333,000)
Interim dividend relating to 2013 paid	(399,900)	-	(399,900)
<b>Balance at 31 December 2013</b>	<b>19,615,498</b>	<b>15,892,028</b>	<b>3,723,470</b>
<b>Balance at 1 January 2012</b>	21,209,766	15,892,028	5,317,738
Total comprehensive income for the financial year	1,669,317	-	1,669,317
Final dividend relating to 2011 paid	(1,333,000)	-	(1,333,000)
Interim dividend relating to 2012 paid	(399,900)	-	(399,900)
Prior years unclaimed dividends refunded	654	-	654
<b>Balance at 31 December 2012</b>	<b>21,146,837</b>	<b>15,892,028</b>	<b>5,254,809</b>

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

There have been no changes in the Company's issued share capital since the end of the previous financial period being 30 June 2013.

There were no sale, transfer, disposal, cancellation and/or use of treasury shares as at the end of the financial year reported on.

There were no unissued shares in the capital of the Company reserved for the exercise of any option nor were there any treasury share as at the end of the financial years ended 31 December 2013 and 31 December 2012.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued ordinary shares, excluding treasury shares, as at the end of the financial years ended 31 December 2013 and 31 December 2012 was 133,300,000.

**2. Whether the figures have been audited, or reviewed and in accordance with which standard.**

The figures have not been audited or reviewed.

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as those of the audited financial statements for the financial year ended 31 December 2012.

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

On 1 January 2013, the Group adopted the new and revised FRS and Interpretations to FRS (INT FRS) that are relevant to its operations and mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The adoption of the above amendments has no material impact on the Group's financial statements.

**6. 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.**

	<b>For the full year ended 31 December 2013</b>	For the full year ended 31 December 2012
Earnings per ordinary shares (in cents)		
a) Based on weighted average number of ordinary shares on issue	<b>1.88</b>	2.38
b) On a fully diluted basis	<b>1.88</b>	2.38
Weighted average number of ordinary shares in issue for earnings per share	133,300,000	133,300,000

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) current financial year reported on; and  
(b) immediately preceding financial year.**

	<u>Group</u>		<u>Company</u>	
	<b>31 December 2013</b>	31 December 2012	<b>31 December 2013</b>	31 December 2012
Net asset value per ordinary share based on issued share capital (cents)	<b>30.24</b>	29.90	<b>14.72</b>	15.86
No of ordinary shares used in calculation	<b>133,300,000</b>	133,300,000	<b>133,300,000</b>	133,300,000

## 8. REVIEW OF PERFORMANCE

Some of the key financial highlights of the Group are as follows:

Profitability Highlights	H2 2013	H1 2013	H2 2012	H1 2012	Variance H2 2013 vs H1 2013		Variance H2 2013 vs H2 2012	
					Fav/(Unfav)	%	Fav/(Unfav)	%
Sales (S\$'mil)	56.8	51.9	52.2	54.0	5.0	9.6%	4.6	8.8%
Gross profit (S\$'mil)	11.1	10.4	10.7	11.1	0.7	6.6%	0.4	4.1%
Gross profit margin	19.6%	20.1%	20.5%	20.6%	(0.5% pts)	na	(0.9% pts)	na
Total expenses and finance costs (S\$'mil)	10.1	9.5	9.5	9.5	(0.6)	(6.7%)	(0.6)	(6.4%)
Other operating income (S\$'000)	151	61	185	228	91	149.7%	(34)	(18.4%)
Share of profit of associated companies (S\$'000)	646	1,064	542	692	(418)	(39.3%)	103	19.0%
Net profit before tax (S\$'mil)	1.8	2.1	1.9	2.6	(0.3)	(13.1%)	(0.1)	(5.7%)
Net profit after tax (S\$'mil)	1.3	1.5	1.3	2.1	(0.2)	(16.3%)	(0.1)	(4.8%)
Net profit after tax margin	2.2%	2.9%	2.6%	3.8%	(0.7% pts)	na	(0.4% pts)	na
EBITDA (S\$'mil)	2.7	3.0	2.7	3.2	(0.2)	(8.4%)	-	0.3%
Earnings per share attributable to the equity holders of the Company (cents)	0.87	1.01	0.95	1.43	(0.14)	(13.9%)	(0.08)	(8.4%)
Annualised return on equity (ROE)	5.7%	6.8%	6.3%	9.8%	(1.1% pts)	na	(0.6% pts)	na

Profitability Highlights	FY 2013	FY 2012	Variance FY 2013 vs FY 2012	
			Fav/(Unfav)	%
Sales (S\$'mil)	108.7	106.3	2.4	2.3%
Gross profit (S\$'mil)	21.6	21.8	(0.3)	(1.2%)
Gross profit margin	19.9%	20.6%	(0.7% pts)	na
Total expenses and finance cost (S\$'mil)	19.7	19.0	(0.6)	(3.3%)
Other operating income (S\$'000)	212	414	(202)	(48.8%)
Share of profit of associated companies (S\$'000)	1,710	1,234	476	38.5%
Net profit before tax (S\$'mil)	3.9	4.5	(0.6)	(13.9%)
Net profit after tax (S\$'mil)	2.8	3.4	(0.6)	(17.8%)
Net profit after tax margin	2.6%	3.2%	(0.6% pts)	na
EBITDA (S\$'mil)	5.7	5.9	(0.2)	(3.7%)
Earnings per share attributable to the equity holders of the Company (cents)	1.88	2.38	(0.50)	(21.0%)
Annualised return on equity (ROE)	6.2%	7.9%	(1.7% pts)	na

## 8(a) PROFITABILITY ANALYSIS

### 8(a)(i) Sales

	← For the half year ended →			Variance		Variance	
	H2 2013	H1 2013	H2 2012	H2 2013 vs H1 2013		H2 2013 vs H2 2012	
	S\$'000	S\$'000	S\$'000	Fav/(Unfav)		Fav/(Unfav)	
			S\$'000	%	S\$'000	%	
ASEAN	36,907	36,847	35,125	60	0.2	1,782	5.1
North Asia	4,639	4,362	5,881	277	6.4	(1,242)	(21.1)
America	8,196	3,239	3,769	4,957	153.0	4,427	117.5
Europe	2,838	2,752	3,350	86	3.1	(512)	(15.3)
South Asia	2,249	1,982	1,926	267	13.5	323	16.8
Middle East	1,067	1,427	985	(360)	(25.2)	82	8.3
Australia	927	1,160	1,187	(233)	(20.1)	(260)	(21.9)
Africa	-	92	-	(92)	(100.0)	1	-
<b>Total</b>	<b>56,823</b>	<b>51,861</b>	<b>52,223</b>	<b>4,962</b>	<b>9.6</b>	<b>4,600</b>	<b>8.8</b>

	FY 2013		FY 2012		Variance	Fav/(Unfav)
	S\$'000	%	S\$'000	%		
ASEAN	73,754	67.9	71,117	66.9	2,637	3.7
North Asia	9,001	8.3	11,420	10.8	(2,419)	(21.2)
America	11,435	10.5	7,339	6.9	4,096	55.8
Europe	5,590	5.1	6,409	6	(819)	(12.8)
South Asia	4,231	3.9	4,393	4.1	(162)	(3.7)
Middle East	2,494	2.3	2,796	2.6	(302)	(10.8)
Australia	2,086	1.9	2,742	2.6	(656)	(23.9)
Africa	93	0.1	48	0.1	45	93.8
<b>Total</b>	<b>108,684</b>	<b>100.0</b>	<b>106,264</b>	<b>100.0</b>	<b>2,420</b>	<b>2.3</b>

### Geographic Segment Sales Analysis

#### H2 2013 vs H1 2013

As concerns over the political situation in South America eased, sales to South America ramped up significantly in the second half of 2013 ("H2 2013"). Sales from South America of S\$7.5 million more than doubled from the first half of 2013 ("H1 2013") and had surpassed sales for the full year of 2012 ("FY 2012"). Positive sales growths were also seen in North Asia and South Asia while the Middle East and Australia markets contracted moderately as a result of weaker chemical demand.

#### H2 2013 vs H2 2012

Led by South America and ASEAN, sales increased by S\$4.6 million or 8.8% in H2 2013 as compared to the second half of 2012 ("H2 2012") where lower sales were seen in North Asia, Europe and Australia markets.

#### FY 2013 vs FY 2012

We ended the year with another record level of sales at \$108.7 million, boosted by the higher sales from America and ASEAN markets as we intensified our sales activities in these markets.

### Business Activity Segment Sales Breakdown

	H2 2013	H1 2013	H2 2012	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2013 vs H1 2013	%	H2 2013 vs H2 2012	%
Distribution activity	55,009	50,222	50,495	4,787	9.5	4,514	8.9
Manufacturing activity	1,814	1,639	1,728	175	10.7	86	5.0
Total Sales	56,823	51,861	52,223	4,962	9.6	4,600	8.8

	FY 2013	FY 2012	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Distribution activity	105,231	103,041	2,190	2.1
Manufacturing Activity	3,453	3,223	230	7.1
Total Sales	108,684	106,264	2,420	2.3

#### H2 2013 vs H1 2013

#### H2 2013 vs H2 2012

Distribution activities picked up pace in H2 2013 primarily from strong demand from America, increasing sales by S\$4.8 million or 9.5% and S\$4.5 million or 8.9% as compared to H1 2013 and H2 2012 respectively

Similarly, revenue from contract manufacturing increased by S\$175,000 or 10.7% as compared to H1 2013 and marginally by S\$86,000 or 5.0% as compared to H2 2012 as demand for our services gradually picked up with increased customer's confidence in our facility capability.

#### FY 2013 vs FY 2012

For the full year of 2013 ("FY 2013"), sales from distribution segment increased by S\$2.2 million or 2.1% driven by ASEAN and America markets. As for our manufacturing segment, following the expansion last year, more new customers were developed leading to an increase in sales of S\$230,000 or 7.1%.

### **8(a)(ii) Gross profit**

#### H2 2013 vs H1 2013

#### H2 2013 vs H2 2012

Gross profit margin for H2 2013 fell as compared to H1 2013 and H2 2012 mainly due to an increase in indent sales which earned lower margin as compared to ex-stock sales.

However, as sales for H2 2013 were higher than both comparative periods, gross profit contribution for H2 2013 actually improved by S\$0.7 million or 6.6% as compared to H1 2013 and S\$0.4 million or 4.1% vis-à-vis H2 2012.

#### FY 2013 vs FY 2012

The fall in gross profit margin in FY2013 by 0.7%-point to 19.9% was mainly due to higher manufacturing overheads incurred for the new facilities. Gross profit margin from the distribution segment would be relatively flat as compared to FY2012.

Overall gross profit declined marginally by S\$0.3 million or 1.2% year-on-year as the positive contribution in gross profit from slightly higher distribution sales was not enough to offset the increased in manufacturing overheads.

### 8(a)(iii) Other operating income

	FY 2013 S\$'000	FY 2012 S\$'000	Variance S\$'000	Fav/(Unfav) %
Bad debt recovered	8	174	(166)	(95.4)
Change in fair value of financial assets held for trading	102	18	84	473.1
Gain on disposal of property, plant and equipment	7	71	(64)	(90.2)
Grant income	15	61	(46)	(75.8)
Interest income from banks	44	54	(10)	(19.0)

Other operating income decreased by S\$202,000 to S\$212,000 following lower bad debt recovered, grant income and gain from disposal of plant and equipment. This was offset by higher gain in fair value of listed equity security and forward foreign exchange contracts.

### 8(a)(iv) Operating expenses

#### H2 2013 vs H1 2013 H2 2013 vs H2 2012

Caused primarily by the Rupees and Rupiah which fell sharply against the United States Dollar ("USD"), net foreign exchange loss of S\$617,000 was incurred for H2 2013 as compared to S\$42,000 in H1 2013. This contributed mainly to the increase in total operating expenses for H2 2013 by S\$0.6 million or 6.7% to S\$10.1 million. Otherwise, overall operating expenses were relatively stable in H2 2013 and H1 2013.

#### FY 2013 vs FY 2012

For FY 2013, total operating expenses amounted to S\$19.3 million and this represented an increase of S\$0.6 million or 3.3% as compared to the previous year.

The main variances in our operating expenses were as follows:

	FY 2013 S\$'000	FY 2012 S\$'000	Variance S\$'000	Fav/(Unfav) %
Advertising and entertainment	392	335	(57)	(17.0)
Depreciation of property, plant, equipment	915	765	(150)	(19.6)
Employee remuneration and related expenses	10,698	10,064	(634)	(6.3)
Maintenance of property, plant and equipment	392	483	91	18.8
Professional fees	531	624	93	14.9
Travelling and transport	967	894	(73)	(8.1)
Rental	1,751	1,720	(31)	(1.8)

Additional headcount and pay increment led to the increase in employee remuneration and related expenses by S\$634,000 or 6.3%. It remains the biggest expense component of total operating expenses. Rental was our next biggest cost which was relatively flat as compared to last year and correlated to stable inventory holding.

Depreciation for renovation of the new office premise was fully charged this year following the completion in December 2012, which resulted in the increased of S\$150,000 or 19.6% year-on-year.

On the other hand, lower maintenance and professional fees were incurred in the current year as certain non-recurring expenses incurred in FY 2012 were related to the office premise renovation and construction of manufacturing facilities.

Higher advertising and entertainment expenses were incurred due to a celebration held to mark our twenty five years of success while travelling and transport expenses would continue to be one of the major costs as these were proportional to the growth in the distribution segment.

Although marginally lower year-on-year, net foreign exchange loss which amounted to S\$659,000 was another significant expense for FY 2013. As explained above, the loss incurred in the current year was due mostly to the sudden fall in Rupee and Rupiah against the USD in general while in the previous year, the weaker USD against Singapore Dollar was the main contributing factor.

Impairment of trade receivables remained minimal at S\$95,000 for FY 2013, down by S\$20,000 as compared to FY 2012 as risk profile of our customers remained stable.

#### **8(a)(v) Finance costs**

Finance costs comprised the following:-

	FY 2013	FY 2012	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Bills payables	178	206	28	13.4
Bank loans	198	158	(40)	(25.5)
Total	376	364	(12)	(3.3)

Overall finance costs were relatively flat was compared to previous year as average borrowings were unchanged.

#### **8(a)(vi) Share of profit of associated companies**

##### H2 2013 vs H1 2013

##### H2 2013 vs H2 2012

Weaker domestic consumption and disappointing export demand in H2 2013 cut back the pace of growth in the Thai economy. This led to a decline in our share of profits in H2 2013 by S\$0.4 million or 39.3% to S\$0.6 million compared to H1 2013.

##### FY 2013 vs FY 2012

Year-on-year, our share of profits increased substantially by S\$0.5 million or 38.5%, boosted by the record high profits achieved in H1 2013 which more than offset the slower second half.

#### **8(a)(vii) Profit before income tax**

##### H2 2013 vs H1 2013

##### H2 2013 vs H2 2012

Despite higher sales and gross profit achieved in H2 2013, profitability was eroded by higher net foreign exchange loss and lower share of profits from associated companies. This led to a fall in profit before income tax by S\$0.3 million or 13.1% to S\$1.8 million in H2 2013 as compared to H1 2013.



FY 2013 vs FY 2012

Although we surpassed the last record sales in 2011 of S\$108.7 million, the higher manufacturing overheads and increased in operating expenses following the completion of its facility expansion in the middle of FY2012 were the two main reasons accounted for the decline in net profit before tax by S\$0.6 million or 13.9% to S\$3.9 million from S\$4.5 million in the previous year.

The fall in the net profit before tax should be seen in the light of the investment made to expand the manufacturing facility which was for long term growth prospect. Profitability from EBITDA perspective fell by a smaller proportion of S\$0.2 million or 3.7% vis-à-vis last year.

**8(a)(viii) Net profit**

Consistent with the above, net profit after tax decreased by S\$0.2 million or 16.3% for H2 2013 to S\$1.3 million and year-on-year, it was down by S\$0.6 million or 17.8% to S\$2.8 million.

## 8(b) BALANCE SHEET ANALYSIS

Balance Sheet Highlights	← As at →		Variance
	31 December 2013	31 December 2012	31 December 2013 vs 31 December 2012 Fav/(Unfav)
Cash (S\$mil)	8.5	8.1	0.4
Borrowings (S\$mil)	17.7	16.0	(1.7)
Current ratio	1.76	2.05	(0.29)
Gearing ratio	0.44	0.40	(0.04)
Net assets per share attributable to equity holders of the Company (cents)	30.24	29.90	0.34
Inventory turnover (days)	90	95	5
Trade receivables turnover (days)	85	80	(5)

### Property, plant and equipment

Capital expenditure of S\$0.8 million was incurred mainly on leasehold improvement and plant and machinery to make good the old warehouse facility at 132 Pioneer Road and to increase its storage capacity as well as in office equipment to improve network connectivity. This was offset by depreciation of S\$1.5 million for the current year.

### Associated companies

The increase in the carrying value of our investment by S\$0.8 million or 15.4% was in line with net positive contribution from our associated companies for the current year offset by dividend return.

### Trade receivables

Net third party trade receivables increased by S\$2.3 million or 10.0% from S\$23.1 million as at 31 December 2012 to S\$25.5 million as at 31 December 2013 due to higher sales to customers in the South America market in the last quarter of 2013. As these customers generally took longer to pay, turnover days increased to 85 days in FY 2013 although there was no significant deterioration in our debtors' profile.

### Inventory

Inventory as at 31 December 2013 stood at S\$19.8 million, flat as compared to 31 December 2012 as purchases were prudent in view of uncertainty in the global economy. Coupled with higher sales achieved in H2 2013, inventory turnover days improved from 95 days last year to 90 days for the current year.

### Other current assets

Other current assets of S\$1.9 million, which consist mainly of advances to suppliers and prepayments, remained relatively unchanged from last year.

### Financial assets and financial liabilities held for trading

The increase in financial assets held for trading of S\$84,000 was primarily due to upward market valuation of listed equity security and favourable changes in fair value of foreign exchange forward contracts. Similarly, the increase in financial liabilities held for trading increased from S\$17,000 to S\$46,000 was due to unfavourable changes in fair value of our foreign exchange forward contracts.

### Trade and other payables

Following a prudent approach adopted for our purchases, trade payables as at 31 December 2013 remained relatively flat at S\$7.6 million as compared to last year. Other payables decreased by S\$0.7 million as remaining amounts for renovation work were settled. This was offset by higher advance payments from customers of S\$0.3 million and higher accrued operating expenses of S\$0.4 million.

#### Borrowings

Total borrowings increased from S\$16.0 million to S\$17.7 million as additional unsecured revolving bank loans were drawn down to finance capital expenditure on the plant and equipment. As at 31 December 2013, the gearing ratio of one of the subsidiaries, Megachem Manufacturing Pte Ltd, exceeded the cap imposed by a bank. According to the accounting standard FRS1, the long term portion of the loan outstanding amounting to S\$3.45 million was reclassified as current liability although the waiver from the bank was obtained subsequent to the financial year end. There is no change in the timing of the financial obligations of this loan. Trade borrowings were also higher by S\$0.6 million due to timing in repayment which corresponded to higher cash and bank balances of S\$0.5 million vis-à-vis last year. As a result, our overall borrowings increased by S\$1.7 million and consequentially, our gearing ratio also went up to 0.44.

#### Net asset value

Net asset value per share increased from 29.90 cents as at 31 December 2012 to 30.24 cents as at 31 December 2013 primarily due to total comprehensive income for the current year of S\$2.2 million offset by dividend payment to shareholders of S\$1.7 million.

### **8(c) CASH FLOW**

Cash and cash equivalents of S\$8.4 million as at 31 December 2013 were S\$0.4 million higher than 31 December 2012 primarily due to positive operating cash flow of S\$1.6 million, dividend received of S\$0.8 million offset by dividend payments to shareholders of S\$1.7 million and repayment of long term bank loan of S\$0.6 million. The capital expenditure on purchase of property, plant and equipment of S\$1.4 million was financed by additional revolving loans of S\$2.1 million.

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

In our earnings announcement for the first 6 months period ended 30 June 2013, we reported given the challenging market conditions, we are unable to decisively forecast our performance for H2 2013.

### **10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

#### **RISK FACTORS**

We believe the imminent risks to our financial performance in financial year 2014 ("FY 2014") are as follows:

##### **The global economy**

Although the uncertainties over the quantitative easing in the United States of America ("US"), the state of economic recovery in Euro zone and the prospects of slower growth in China have, to some extent, subsided, it has not been eliminated. If these risk factors resurfaced, the brighter outlook for the chemical industry, as envisaged now, may not materialise. This will then have an impact on our business.

##### **Volatility in energy prices**

Volatility in energy prices may affect chemical prices and demand for chemicals and thus our selling prices.

##### **Currency risk**

We operate internationally and therefore are exposed to foreign currency risks arising from various currency exposures. The currency market remains volatile and difficult to predict. This poses a challenge to our currency risk management. While we will continue to hedge our exposure, there is no perfect hedge. In addition currencies of certain countries have limited liquidity and carry high hedging cost. Thus any adverse changes in foreign currency may have an impact on our profitability.

##### **Interest rate risk**

Our interest rate risk arises from bank borrowings at floating rates. Any drastic increase in market interest rates will increase our borrowing cost.



### **Credit risk**

Our products are sold to more than 1,000 customers across many countries. The credit risks in some countries are more difficult to assess. Any significant payment default will negatively impact on our financial performance.

### **Country risk**

Our products are sourced and sold globally. Our business may be affected if any of our markets suffers significant escalation in country risk.

### **Inventory Risk**

Our business involves keeping inventory of chemicals to meet customers' requirement. In the event of an unexpected fall in customers' demand levels for any product, we may end up with excess inventory. This will have a negative impact on our profitability.

## **PROSPECTS**

### **External Environment**

Led by the major advanced economies and with most emerging markets following in their wake, global growth is set to strengthen. Caveat however is that though the risks to the global economic growth have subsided, it has not been totally eliminated. There are also concerns over some emerging economies with large negative current balances and high inflation which are vulnerable if interest rates start to trend upwards. In addition continued robust growth in China depends on how its economic and financial reforms pan out.

As a result outlook for the chemical industry will be better in 2014 according to the American Chemicals Council. It predicted a growth rate of 3.8% for chemical production globally which is higher than 2.4% in 2013.

### **Megachem's Chemistry of Growth**

For Megachem, we remain relentless on executing our strategy of building stability and sustainability around our twin pillars of growth in Distribution and Contract Manufacturing.

#### **i. Distribution**

Megachem has presence in 11 countries out of which 8 are in Asia. We will continue to enhance our position in the market by leveraging on our extensive network, strong customer relationships and our market insights. We will channel more resources into markets where our potential has not been fully realized and deepen our presence in these markets.

Efforts will be stepped up in strengthening our supply sources from US, Europe, China and Japan. In particular the development of shale gas in the US, as a source of low cost energy, has rejuvenated its chemical industries. We will continue to pursue suppliers' relationships with key producers in the US with the objective of delivering cost effective products and solutions to our customers.

Ongoing cooperation with Chori group of companies (our shareholder and partner) will also be intensified. Through our complementary strengths we will be able to further widen our supply sources and product range thus sharpening our competitive edge.

#### **ii. Contract Manufacturing**

In Contract Manufacturing, following our facility expansion in 2012, our capabilities and efficiency have been enhanced and cost structure has stabilised. We now stand ready to increase our portfolio of customers which will then broaden our revenue base.

### **Prospects 2014 : Stability and Sustainability**

Demand for chemicals in Asia Pacific region will continue to outpace that of other regions. Our strong geographic footprint in Asia put us in a good position to ride on the growth opportunities in Asia.

Though global economic outlook for 2014 seems better, we remain cautious in the prediction of our prospects, preferring to focus on building stability and long term sustainable value for our shareholders.

## 11. Dividend

### (a) Current financial year reported on

Any dividend declared (recommended) for the current financial year ended 31 December 2013? Yes

The directors are pleased to recommend a final tax exempt dividend of 0.7 cent per share in respect of the financial year ended 31 December 2013 for approval by the shareholders at the next Annual General Meeting to be convened.

Name of dividend	Final	Interim
Dividend type	Cash	Cash
Dividend amount per share (in cents)	0.7	0.3
Tax rate	Exempt	Exempt
Date payable/paid	30 May 2014	27 September 2013
Book closure date	15 May 2014	12 September 2013

### (b) Corresponding period of the immediately preceding financial year

Any dividend declared for the immediately preceding financial year ended 31 December 2012? Yes

Name of dividend	Final	Interim
Dividend type	Cash	Cash
Dividend amount per share (in cents)	1.0	0.3
Tax rate	Exempt	Exempt
Date paid	30 May 2013	28 September 2012
Book closure date	15 May 2013	12 September 2012

### (c) Date payable

The final tax exempt dividend of 0.7 cent per share in respect of the financial year ended 31 December 2013, subject to approval by the shareholders at the next Annual General Meeting to be convened, will be paid on 30 May 2014.

### (d) Books closure date

The Transfer Books and Register of Members of the Company will be closed on 15 May 2014 for the purpose of determining member's entitlements to the proposed final tax exempt dividend.

Duly completed and stamped transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd), 80 Robinson Road, #02-00, Singapore 068898, up to 5.00pm on 14 May 2014 will be registered to determine member's entitlement to the proposed dividend.

Members (being depositors) whose securities account with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00pm on 14 May 2014 will be entitled to the payment of the proposed dividend.

Payment of the final tax exempt dividend of 0.7 cent per share will be made on 30 May 2014.

**12. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparatives information for the immediately preceding year.**

**Primary reporting format – Geographical segments by location of assets**

	<u>Singapore</u>	<u>Malaysia</u>	<u>Indonesia</u>	<u>United Kingdom</u>	<u>Others</u>	<u>Unallocated</u>	<u>Group</u>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>For the financial year ended</b>							
<b>31 December 2013</b>							
<b>Sales</b>							
Total sales by segment	52,507	17,048	14,569	24,965	17,142	-	126,231
Inter-segment sales	(10,768)	(618)	(120)	(2,526)	(3,515)	-	(17,547)
	<u>41,739</u>	<u>16,430</u>	<u>14,449</u>	<u>22,439</u>	<u>13,627</u>	<u>-</u>	<u>108,684</u>
<b>Segment result</b>							
Interest income - bank	369	1,560	524	1,005	(985)	-	2,473
Finance costs						44	44
Share of profit of associated companies						(376)	(376)
Profit before income tax						1,710	1,710
Income tax expense						1,378	3,851
						(1,065)	(1,065)
<b>Net profit</b>	<u>369</u>	<u>1,560</u>	<u>524</u>	<u>1,005</u>	<u>(985)</u>	<u>313</u>	<u>2,786</u>
<b>Other segment items</b>							
Capital expenditure	704	15	15	54	46	-	834
Depreciation	1,215	113	50	15	84	-	1,477
<b>Segment assets</b>							
Associated companies	30,794	10,269	7,928	10,419	8,171	-	67,581
Fixed deposits						6,240	6,240
						899	899
<b>Consolidated total assets</b>	<u>30,794</u>	<u>10,269</u>	<u>7,928</u>	<u>10,419</u>	<u>8,171</u>	<u>7,139</u>	<u>74,720</u>
<b>Segment liabilities</b>							
Borrowings	(5,139)	(691)	(617)	(6,312)	(1,444)	-	(14,202)
Current income tax liabilities						(17,674)	(17,674)
Deferred income tax liabilities						(296)	(296)
						(40)	(40)
<b>Consolidated total liabilities</b>	<u>(5,139)</u>	<u>(691)</u>	<u>(617)</u>	<u>(6,312)</u>	<u>(1,444)</u>	<u>(18,010)</u>	<u>(32,212)</u>



	<u>Singapore</u>	<u>Malaysia</u>	<u>Indonesia</u>	<u>United Kingdom</u>	<u>Others</u>	<u>Unallocated</u>	<u>Group</u>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>For the financial year ended 31 December 2012</b>							
<b>Sales</b>							
Total sales by segment	51,967	18,071	12,035	23,840	19,170	-	125,083
Inter-segment sales	(12,115)	(497)	(54)	(2,943)	(3,210)	-	(18,819)
	<u>39,852</u>	<u>17,574</u>	<u>11,981</u>	<u>20,897</u>	<u>15,960</u>	<u>-</u>	<u>106,264</u>
<b>Segment result</b>							
Interest income - bank	499	1,867	780	967	(563)	-	3,550
Finance costs						54	54
Share of profit of associated companies						(364)	(364)
Profit before income tax						1,234	1,234
Income tax expense						924	4,474
						(1,084)	(1,084)
<b>Net profit</b>	<u>499</u>	<u>1,867</u>	<u>780</u>	<u>967</u>	<u>(563)</u>	<u>(160)</u>	<u>3,390</u>
<b>Other segment items</b>							
Capital expenditure	4,262	164	123	15	65	-	4,629
Depreciation	848	92	70	13	71	-	1,094
<b>Segment assets</b>							
Associated companies	31,469	10,320	6,784	8,219	9,608	-	66,400
Fixed deposits						5,408	5,408
						446	446
<b>Consolidated total assets</b>	<u>31,469</u>	<u>10,320</u>	<u>6,784</u>	<u>8,219</u>	<u>9,608</u>	<u>5,854</u>	<u>72,254</u>
<b>Segment liabilities</b>							
Borrowings	(6,147)	(902)	(423)	(4,335)	(2,357)	-	(14,164)
Current income tax liabilities						(16,007)	(16,007)
Deferred income tax liabilities						(324)	(324)
						-	-
<b>Consolidated total liabilities</b>	<u>(6,147)</u>	<u>(902)</u>	<u>(423)</u>	<u>(4,335)</u>	<u>(2,357)</u>	<u>(16,331)</u>	<u>(30,495)</u>

**12. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparatives information for the immediately preceding year (cont'd).**

**Secondary reporting format – Business segments**

	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
<b>For the financial year ended</b>				
<b>31 December 2013</b>				
<b>Sales</b>				
Total sales by segment	122,261	3,970	-	126,231
Inter-segment sales	(17,030)	(517)	-	(17,547)
	<u>105,231</u>	<u>3,453</u>	<u>-</u>	<u>108,684</u>
<b>Segment result</b>				
	2,627	(154)	-	2,473
Interest income - bank			44	44
Finance costs			(376)	(376)
Share of profit of associated companies			1,710	1,710
Profit before income tax			1,378	3,851
Income tax expense			(1,065)	(1,065)
<b>Net profit</b>	<u>2,627</u>	<u>(154)</u>	<u>313</u>	<u>2,786</u>
<b>Other segment items</b>				
Capital expenditure	614	220	-	834
Depreciation	567	910	-	1,477
	<u>614</u>	<u>220</u>	<u>-</u>	<u>834</u>
	<u>567</u>	<u>910</u>	<u>-</u>	<u>1,477</u>
<b>Segment assets</b>				
	57,670	9,911	-	67,581
Associated companies			6,240	6,240
Fixed deposits			899	899
<b>Consolidated total assets</b>	<u>57,670</u>	<u>9,911</u>	<u>7,139</u>	<u>74,720</u>
<b>Segment liabilities</b>				
	(13,699)	(503)	-	(14,202)
Borrowings			(17,674)	(17,674)
Current income tax liabilities			(296)	(296)
Deferred income tax liabilities			(40)	(40)
<b>Consolidated total liabilities</b>	<u>(13,699)</u>	<u>(503)</u>	<u>(18,010)</u>	<u>(32,212)</u>





	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
<b>For the financial year ended</b>				
<b>31 December 2012</b>				
<b>Sales</b>				
Total sales by segment	121,543	3,540	-	125,083
Inter-segment sales	(18,502)	(317)	-	(18,819)
	<u>103,041</u>	<u>3,223</u>	<u>-</u>	<u>106,264</u>
<b>Segment result</b>	3,751	(201)	-	3,550
Interest income - bank			54	54
Finance costs			(364)	(364)
Share of profit of associated companies			1,234	1,234
Profit before income tax			924	4,474
Income tax expense			(1,084)	(1,084)
<b>Net profit</b>	<u>3,751</u>	<u>(201)</u>	<u>(160)</u>	<u>3,390</u>
<b>Other segment items</b>				
Capital expenditure	851	3,778	-	4,629
Depreciation	535	559	-	1,094

	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
<b>Segment assets</b>	55,915	10,485	-	66,400
Associated companies			5,408	5,408
Fixed deposits			446	446
<b>Consolidated total assets</b>	<u>55,915</u>	<u>10,485</u>	<u>5,854</u>	<u>72,254</u>
<b>Segment liabilities</b>	(12,838)	(1,326)	-	(14,164)
Borrowings			(16,007)	(16,007)
Current income tax liabilities			(324)	(324)
Deferred income tax liabilities			-	-
<b>Consolidated total liabilities</b>	<u>(12,838)</u>	<u>(1,326)</u>	<u>(16,331)</u>	<u>(30,495)</u>

**13. In view of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to section 8(a) Profitability Analysis.

#### 14. A breakdown of sales

	Full year ended	Full year ended	Variance	
	31 December 2013	31 December 2012	Increase/ (decrease)	
	S\$'000	S\$'000	S\$'000	%
<u>Sales</u>				
(a) Sales for the first half ("H1")	51,861	54,041	(2,180)	(4.0%)
(b) Sales for the second half ("H2")	56,823	52,223	4,600	8.8%
<i>Increase/(decrease) H2 from H1</i>	<b>4,962</b>	<i>(1,818)</i>		
<i>Increase/(decrease) H2 from H1 (in %)</i>	<b>9.6%</b>	<i>(3.4%)</i>		
<u>Profit after tax</u>				
(c) Profit after tax and before attributing to non-controlling interests for H1	1,516	2,056	(540)	(26.3%)
(d) Profit after tax and before attributing to non-controlling interests for H2	1,269	1,334	(64)	(4.8%)
<i>Increase/(decrease) H2 from H1</i>	<b>(247)</b>	<i>(722)</i>		
<i>Increase/(decrease) H2 from H1 (in %)</i>	<b>(16.3%)</b>	<i>(35.1%)</i>		

#### 15. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and previous full year.

	Full year ended	Full year ended
	31 December 2013	31 December 2012
	S\$	S\$
Total annual dividend paid		
Ordinary	1,732,900	1,732,900

#### 16. Related Parties and Interested Person Transactions

Name of interested person	Aggregate value of all interested person transactions during the financial year ended 31 December 2013 under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the financial year ended 31 December 2013 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Transportation services rendered by Ipem Automation Sdn. Bhd, a company owned by associates of Mr Chew Choon Tee, a director of Megachem Group	(Note 1)	Nil (Note 4)
Sales of products to Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	(Note 2)	Nil (Note 4)
Purchase of products from Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	(Note 2)	Nil (Note 4)

Name of interested person	Aggregate value of all interested person transactions during the financial year ended 31 December 2013 under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the financial year ended 31 December 2013 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Purchase of products from SPCI Pte Ltd, a company of which Dr Tay Kin Bee is also a director	(Note 3)	Nil (Note 4)

Note 1 : The Group entered into interested person transactions amounting in aggregate to S\$143,124 and each transaction was below S\$100,000 which fell outside the scope of Rule 920.

Note 2 : The Group entered into sales and purchase transactions amounting to S\$2,006 and S\$200,976 respectively and each transaction was below S\$100,000 which fell outside the scope of Rule 920.

Note 3 : The Group entered into purchase transactions amounting to S\$53,694 and each transaction was below S\$100,000 which fell outside the scope of Rule 920.

Note 4 : There was no prior shareholders' mandate obtained for the interested person transactions.

**17. 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 pursuant to Rule 704(10).**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Liau Bin Bin	47	Spouse of Mr Chew Choon Tee, the Executive Chairman and Managing Director and substantial shareholder of the Company	Managing Director of CN Chemicals Sdn Bhd	Nil

The following directors and substantial shareholders have confirmed that as at 31 December 2013, they do not have any relatives who are holding a managerial position in the Company or any of its principal subsidiaries:-

Tan Bock Chia	Director and substantial shareholder
Chan Kam Loon	Director
Lee Bon Leong	Director
Saito Atsushi	Director
Tay Kin Bee	Director

On behalf of the Board of Directors

Chew Choon Tee	Tan Bock Chia
Executive Chairman	Executive Director

24 February 2014