



MEGACHEM LIMITED

Un-audited Financial Statements and Dividend Announcement

For The Full Year Ended
31 December 2015

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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 2015

The directors of Megachem Limited are pleased to advise the following unaudited results of the Group for the full year ended 31 December 2015.

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 2015

	For the full year	For the full year	Variance	
	ended	ended	Favourable/(Unfavourable)	
	31 December 2015	31 December 2014	S\$'000	%
	S\$	S\$		
Sales	110,560,267	115,924,269	(5,364)	(4.6%)
Cost of sales	<u>(85,190,824)</u>	<u>(92,468,197)</u>	7,277	7.9%
Gross profit	25,369,443	23,456,072	1,913	8.2%
Other operating income	288,170	470,213	(182)	(38.7%)
Distribution costs	(13,825,310)	(12,544,898)	(1,280)	(10.2%)
Administrative expenses	(4,940,134)	(4,851,510)	(89)	(1.8%)
Other operating expenses	(2,811,568)	(2,790,018)	(22)	(0.8%)
Finance costs	(592,558)	(492,075)	(100)	(20.4%)
Share of profit of associated companies	897,508	1,011,364	(114)	(11.3%)
Profit before income tax	4,385,551	4,259,148	126	3.0%
Income tax expense	<u>(1,101,457)</u>	<u>(1,066,939)</u>	(35)	(3.2%)
Net profit	3,284,094	3,192,209	92	2.9%
Other comprehensive income:				
Exchange differences on translating foreign operations, net of tax	<u>(1,261,173)</u>	<u>178,358</u>	(1,440)	(807.1%)
Total comprehensive income	2,022,921	3,370,567	(1,348)	(40.0%)
Net profit attributable to:				
Equity holders of the Company	2,955,375	2,777,724	178	6.4%
Non-controlling interests	<u>328,719</u>	<u>414,485</u>	(86)	(20.7%)
Net profit	3,284,094	3,192,209	92	2.9%
Total comprehensive income attributable to:				
Equity holders of the Company	1,613,346	2,932,213	(1,319)	(45.0%)
Non-controlling interests	<u>409,575</u>	<u>438,354</u>	(29)	(6.6%)
Total comprehensive income	2,022,921	3,370,567	(1,348)	(40.0%)
Earnings per share of profit attributable to equity holders of the Company during the financial year				
- basic and diluted	<u>2.22 cents</u>	<u>2.08 cents</u>		

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

	For the full year ended 31 December 2015	For the full year ended 31 December 2014
	S\$	S\$
<u>Other operating income</u>		
Bad debt recovered	70,198	63,382
Change in fair value of financial assets held for trading	42,176	107,040
Dividend income	2,137	516
Gain on disposal of property, plant and equipment	-	5,167
Grant income	92,262	40,653
Interest income from banks	64,948	42,105
Management fees	-	4,659
Net foreign exchange gain	-	189,580
Rental income	16,449	17,111
	288,170	470,213
Change in fair value of financial assets held for trading		
- forward foreign exchange contracts	32,176	47,040
- listed equity security	10,000	60,000
Change in fair value of financial liabilities held for trading		
- forward foreign exchange contracts	(50,595)	(51,085)
Depreciation and amortisation	(1,472,894)	(1,513,262)
Interest on borrowings	(592,558)	(492,075)
Impairment of trade receivables	(104,377)	(120,654)
Net foreign exchange (loss)/gain	(83,054)	189,580
Write off of inventory	(285,874)	(715,975)
Adjustment for under provision for tax in respect of prior financial years	(1,791)	(10,436)
(Loss)/profit on disposal of plant and equipment	(105)	5,167

1(b)(i) A statement of financial position (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 2015

	<u>Group</u>		<u>Company</u>	
	31 December 2015 S\$	31 December 2014 S\$	31 December 2015 S\$	31 December 2014 S\$
ASSETS				
Non-current assets				
Property, plant and equipment	12,445,028	13,971,668	1,846,867	2,076,931
Investment property	88,290	104,696	-	-
Investments in subsidiaries	-	-	5,439,769	5,019,751
Investment in associated companies	5,198,955	6,762,102	99,949	99,949
Transferable club memberships	26,963	30,307	4,001	4,001
	<u>17,759,236</u>	<u>20,868,773</u>	<u>7,390,586</u>	<u>7,200,632</u>
Current assets				
Inventories	21,003,149	21,517,159	11,066,445	10,791,527
Trade and other receivables	25,860,679	29,975,725	15,312,290	18,823,863
Financial assets held for trading	142,186	147,040	121,158	100,000
Other current assets	1,874,837	1,825,261	279,562	854,565
Cash and bank balances	11,059,729	8,999,243	3,630,363	2,204,579
	<u>59,940,580</u>	<u>62,464,428</u>	<u>30,409,818</u>	<u>32,774,534</u>
Total assets	<u>77,699,816</u>	<u>83,333,201</u>	<u>37,800,404</u>	<u>39,975,166</u>
EQUITY AND LIABILITIES				
Capital and reserves attributable to equity holders of the Company				
Share capital	15,892,028	15,892,028	15,892,028	15,892,028
Other reserves	(3,882,334)	(2,540,305)	-	-
Retained earnings	30,186,070	28,571,092	4,797,132	3,151,657
	<u>42,195,764</u>	<u>41,922,815</u>	<u>20,689,160</u>	<u>19,043,685</u>
Non-controlling interests	2,888,052	2,596,136	-	-
Total equity	<u>45,083,816</u>	<u>44,518,951</u>	<u>20,689,160</u>	<u>19,043,685</u>
Non-current liabilities				
Deferred tax liabilities	-	21,059	-	20,000
Borrowings	3,710,594	2,850,000	-	-
	<u>3,710,594</u>	<u>2,871,059</u>	<u>-</u>	<u>20,000</u>
Current liabilities				
Current income tax liabilities	212,434	337,638	64,071	51,266
Trade and other payables	14,083,909	16,485,621	7,216,879	5,746,052
Borrowings	14,558,468	19,068,847	9,829,813	15,114,163
Financial liabilities held for trading	50,595	51,085	481	-
	<u>28,905,406</u>	<u>35,943,191</u>	<u>17,111,244</u>	<u>20,911,481</u>
Total liabilities	<u>32,616,000</u>	<u>38,814,250</u>	<u>17,111,244</u>	<u>20,931,481</u>
Total equity and liabilities	<u>77,699,816</u>	<u>83,333,201</u>	<u>37,800,404</u>	<u>39,975,166</u>

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 2015		As at 31 December 2014	
Secured	Unsecured	Secured	Unsecured
S\$2,193,492	S\$12,364,976	S\$600,000	S\$18,468,847

Amount repayable after one year

As at 31 December 2015		As at 31 December 2014	
Secured	Unsecured	Secured	Unsecured
S\$3,710,594	-	S\$2,850,000	-

Details of collateral

The secured borrowings were collateralized on:

- i. fixed and floating charges over all the assets and undertaking of subsidiaries, including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future;
- ii. mortgage over property of a subsidiary located at 11 Tuas Link 1 Singapore 638588 and;
- iii. industrial land of a subsidiary at Seri Alam Industrial Park, Sungai Kapar Indah, Klang, Selangor, Malaysia.

1(c) A statement of cash flows (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 2015

	For the full year ended 31 December 2015 S\$	For the full year ended 31 December 2014 S\$
Cash flows from operating activities		
Net profit	3,284,094	3,192,209
Adjustments for:		
Change in fair value of financial assets held for trading	(10,000)	(60,000)
Depreciation charge	1,472,894	1,513,262
Dividend income	(2,137)	(516)
Loss/(gain) on disposal of property, plant and equipment	105	(5,167)
Share of profit of associated companies	(897,508)	(1,011,364)
Income tax expense	1,101,457	1,066,939
Interest income	(64,948)	(42,105)
Finance costs	592,558	492,075
Operating cash flow before working capital changes	<u>5,476,515</u>	<u>5,145,333</u>
Change in operating assets and liabilities		
Trade and other receivables	3,927,379	(3,886,043)
Inventories	308,681	(1,693,086)
Financial assets held for trading	14,854	45,648
Trade and other payables	(1,594,874)	1,411,351
Financial liabilities held for trading	(490)	5,329
Foreign exchange adjustment differences	76,698	(41,084)
Cash from operations	<u>8,208,763</u>	<u>987,448</u>
Income tax paid	(1,317,425)	(946,772)
Interest received	64,948	42,105
Net cash from operating activities	<u>6,956,286</u>	<u>82,781</u>
Cash flows from investing activities		
Dividends received from associated company	2,298,202	755,012
Purchase of property, plant and equipment	(1,323,666)	(2,835,538)
Proceeds from sale of property, plant and equipment	4,843	5,896
Net cash from/(used in) investing activities	<u>979,379</u>	<u>(2,074,630)</u>
Cash flows from financing activities		
Dividends paid	(1,333,000)	(1,333,000)
Dividends paid by subsidiary to non-controlling shareholders	(117,659)	(34,842)
Proceeds from/(repayments of) long term bank loan	1,098,935	(600,000)
(Repayment of)/proceeds from bills payables	(3,695,406)	3,394,452
(Repayment of)/proceeds from short term bank loans	(1,077,481)	1,567,831
(Payment)/refunds of prior year unclaimed dividends, net	(7,397)	7,903
Interest paid	(599,799)	(464,052)
Net cash (used in)/from financing activities	<u>(5,731,807)</u>	<u>2,538,292</u>
Net increase in cash and cash equivalents held	<u>2,203,858</u>	<u>546,443</u>
Cash and cash equivalents, statement of cashflow, beginning balance	8,999,243	8,439,428
Effects of exchange rate changes on cash and cash equivalents equivalents	(143,372)	13,372
Cash and cash equivalents, statement of cashflow, ending balance	<u>11,059,729</u>	<u>8,999,243</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 2015

<u>The Group</u>	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\$
Balance at 1 January 2015	44,518,951	41,922,815	15,892,028	(2,540,305)	28,571,092	2,596,136
Total comprehensive income for the reporting year	2,022,921	1,613,346	-	(1,342,029)	2,955,375	409,575
Final dividend relating to 2014 paid	(933,100)	(933,100)	-	-	(933,100)	-
Interim dividend relating to 2015 paid	(399,900)	(399,900)	-	-	(399,900)	-
Prior years unclaimed dividends refunded	103	103	-	-	103	-
Prior years unclaimed dividends paid	(7,500)	(7,500)	-	-	(7,500)	-
Final dividend paid to non-controlling interest	(117,659)	-	-	-	-	(117,659)
Balance at 31 December 2015	45,083,816	42,195,764	15,892,028	(3,882,334)	30,186,070	2,888,052
Balance at 1 January 2014	42,508,323	40,315,699	15,892,028	(2,694,794)	27,118,465	2,192,624
Total comprehensive income for the reporting year	3,370,567	2,932,213	-	154,489	2,777,724	438,354
Final dividend relating to 2013 paid	(933,100)	(933,100)	-	-	(933,100)	-
Interim dividend relating to 2014 paid	(399,900)	(399,900)	-	-	(399,900)	-
Prior years unclaimed dividends refunded	7,903	7,903	-	-	7,903	-
Final dividend paid to non-controlling interest	(34,842)	-	-	-	-	(34,842)
Balance at 31 December 2014	44,518,951	41,922,815	15,892,028	(2,540,305)	28,571,092	2,596,136

<u>The Company</u>	Total equity S\$	Share capital S\$	Retained earnings S\$
Balance at 1 January 2015	19,043,685	15,892,028	3,151,657
Total comprehensive income for the reporting year	2,985,872	-	2,985,872
Final dividend relating to 2014 paid	(933,100)	-	(933,100)
Interim dividend relating to 2015 paid	(399,900)	-	(399,900)
Prior years unclaimed dividends refunded	103	-	103
Prior years unclaimed dividends paid	(7,500)	-	(7,500)
Balance at 31 December 2015	20,689,160	15,892,028	4,797,132
Balance at 1 January 2014	19,615,498	15,892,028	3,723,470
Total comprehensive income for the reporting year	753,284	-	753,284
Final dividend relating to 2013 paid	(933,100)	-	(933,100)
Interim dividend relating to 2014 paid	(399,900)	-	(399,900)
Prior years unclaimed dividends refunded	7,903	-	7,903
Balance at 31 December 2014	19,043,685	15,892,028	3,151,657

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 reported on being 30 June 2015.

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 2015 and 31 December 2014.

There were no outstanding convertibles as at 31 December 2015 and 31 December 2014.

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 2015 and 31 December 2014 was 133,300,000.

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

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

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 2014.

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 2015, 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.

	For the full year ended 31 December 2015	For the full year ended 31 December 2014
Earnings per ordinary shares (in cents)		
a) Based on weighted average number of ordinary shares on issue	2.22	2.08
b) On a fully diluted basis	2.22	2.08
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>	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Net asset value per ordinary share based on issued share capital (cents)	31.65	31.45	15.52	14.29
No of ordinary shares used in calculation	133,300,000	133,300,000	133,300,000	133,300,000

8. REVIEW OF PERFORMANCE

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

Profitability Highlights	H2 2015	H1 2015	H2 2014	Variance H2 2015 vs H1 2015		Variance H2 2015 vs H2 2014	
				Fav/(Unfav)	%	Fav/(Unfav)	%
Sales (S\$'mil)	53.0	57.6	60.3	(4.6)	(8.0%)	(7.3)	(12.1%)
Gross profit (S\$'mil)	12.6	12.8	12.5	(0.2)	(1.7%)	0.1	0.7%
Gross profit margin	23.7%	22.2%	20.7%	1.5% pts	na	3.0% pts	na
Total operating expenses and finance costs (S\$'mil)	10.9	11.3	10.7	0.4	3.6%	(0.2)	(1.7%)
Other operating income (S\$'000)	90	198	337	(108)	(54.5%)	(247)	(73.3%)
Share of profit of associated companies (S\$'000)	585	313	545	272	87.0%	40	7.3%
Net profit before tax (S\$'mil)	2.4	2.0	2.7	0.4	17.4%	(0.3)	(11.3%)
Net profit after tax (S\$'mil)	1.8	1.5	2.1	0.3	20.1%	(0.3)	(12.6%)
Net profit after tax margin	3.4%	2.6%	3.4%	0.8% pts	na	-	na
EBITDA (S\$'mil)	3.4	3.0	3.7	0.3	10.6%	(0.3)	(8.9%)
EBITDA margin	6.3%	5.3%	6.1%	1.0% pts	na	0.2% pts	na
Earnings per share attributable to the equity holders of the Company (cents)	1.22	1.00	1.32	0.22	22.0%	(0.10)	(7.6%)
Annualised return on equity (ROE)	7.7%	6.4%	8.4%	1.3% pts	na	(0.7%) pts	na

Profitability Highlights	FY 2015	FY 2014	Variance FY 2015 vs FY 2014	
			Fav/(Unfav)	%
Sales (S\$'mil)	110.6	115.9	(5.4)	(4.6%)
Gross profit (S\$'mil)	25.4	23.5	1.9	8.2%
Gross profit margin	22.9%	20.2%	2.7% pts	na
Total expenses and finance cost (S\$'mil)	22.2	20.7	(1.5)	(7.2%)
Other operating income (S\$'000)	288	470	(182)	(38.7%)
Share of profit of associated companies (S\$'000)	898	1,011	(114)	(11.3%)
Net profit before tax (S\$'mil)	4.4	4.3	0.1	3.0%
Net profit after tax (S\$'mil)	3.3	3.2	0.1	2.9%
Net profit after tax margin	3.0%	2.8%	0.2% pts	na
EBITDA (S\$'mil)	6.4	6.2	0.2	2.6%
EBITDA margin	5.8%	5.4%	0.4% pts	na
Earnings per share attributable to the equity holders of the Company (cents)	2.22	2.08	0.14	6.7%
Annualised return on equity (ROE)	7.0%	6.6%	0.4% pts	na

na : not applicable

8(a) PROFITABILITY ANALYSIS

8(a)(i) Sales

	H2 2015	H1 2015	H2 2014	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2015 vs H1 2015	H2 2015 vs H2 2014	S\$'000	%
ASEAN	36,183	38,843	37,725	(2,660)	(6.8)	(1,542)	(4.1)
North Asia	7,882	6,615	6,818	1,267	19.2	1,064	15.6
Europe	3,083	3,438	3,906	(355)	(10.3)	(823)	(21.1)
America	755	2,856	6,328	(2,101)	(73.6)	(5,573)	(88.1)
South Asia	2,380	2,363	2,443	17	0.7	(63)	(2.6)
Middle East	1,696	2,194	1,720	(498)	(22.7)	(24)	(1.4)
Australia	967	1,231	1,354	(264)	(21.4)	(387)	(28.6)
Africa	43	31	-	12	38.7	43	NM
Total	52,989	57,571	60,294	(4,582)	(8.0)	(7,305)	(12.1)

	FY 2015		FY 2014		Variance Fav/(Unfav)	
	S\$'000	%	S\$'000	%	S\$'000	%
ASEAN	75,026	67.8	76,950	66.4	(1,924)	(2.5)
North Asia	14,497	13.1	11,794	10.2	2,703	22.9
America	3,611	3.3	9,898	8.5	(6,287)	(63.5)
Europe	6,521	5.9	6,586	5.7	(65)	(1.0)
South Asia	4,743	4.3	4,418	3.8	325	7.4
Middle East	3,890	3.5	3,442	3.0	448	13.0
Australia	2,198	2.0	2,833	2.4	(635)	(22.4)
Africa	74	0.1	3	0	71	NM
Total	110,560	100.0	115,924	100.0	(5,364)	(4.6)

NM : not meaningful

Geographic Segment Sales Analysis

H2 2015 vs H1 2015

Overall sales in the second half of 2015 ("H2 2015") dipped by S\$4.6 million or 8.0% as compared to the first half of 2015 ("H1 2015") as most markets contracted in H2 2015. The biggest fall was mainly contributed by reduced sales to America, mainly South America, of S\$2.1 million or 73.6% as the country risk associated with the region had increased. This was followed by sales to ASEAN which contracted by S\$2.7 million or 6.8%. Sales from other markets such as Middle East, Australia and Europe fell by a smaller magnitude.

On the other hand, North Asia recorded growth in sales of S\$1.3 million or 19.2% in H2 2015 vs-à-vis H1 2015, mainly from higher exports.

H2 2015 vs H2 2014

Similarly, compared to the second half of 2014 ("H2 2014"), sales decline were led by America and ASEAN while overall sales to North Asia improved.

FY 2015 vs FY 2014

Sales for the full year of 2015 ("FY 2015") decreased by S\$5.4 million or 4.6% to S\$110.6 million as compared to full year of 2014 ("FY 2014") led largely by fall in sales to America and ASEAN markets of S\$6.3 million or 63.5% and S\$1.9 million or 2.5% respectively. This was partially compensated by improvement in sales to North Asia and Middle East of S\$2.7 million or 22.9% and S\$0.4 million or 13.0% respectively.

Business Activity Segment Sales Breakdown

	H2 2015	H1 2015	H2 2014	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2015 vs H1 2015	%	H2 2015 vs H2 2014	%
Distribution activity	51,202	55,892	58,533	(4,690)	(8.4)	(7,332)	(12.5)
Manufacturing activity	1,787	1,679	1,761	109	6.5	27	1.5
Total Sales	52,989	57,571	60,294	(4,582)	(8.0)	(7,305)	(12.1)

	FY 2015	FY 2014	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Distribution activity	107,094	112,571	(5,477)	(4.9)
Manufacturing Activity	3,466	3,353	113	3.4
Total Sales	110,560	115,924	(5,364)	(4.6)

H2 2015 vs H1 2015

H2 2015 vs H2 2014

Distribution segment remained as the main contributor to total sales but activities contracted in H2 2015 as compared to H1 2015 and H2 2014.

Revenue from contract manufacturing increased by S\$109,000 or 6.5% compared to H1 2015 as manufacturing activities were normally higher in the second half of the year but was relatively flat as compared to H2 2014.

FY 2015 vs FY 2014

Sales from distribution segment decreased by S\$5.5 million or 4.9% while revenue from manufacturing segment increased by S\$0.1 million or 3.4%.

8(a)(ii) Gross profit

H2 2015 vs H1 2015

H2 2015 vs H2 2014

Gross profit margin for H2 2015 jumped to 23.7% as compared to 22.2% in H1 2015 mainly due to a larger proportion of sales contributed from ASEAN and better gross profit margin across several markets such as ASEAN, Middle East and South Asia.

However, the higher gross profit margin was inadequate to compensate for the drop in gross profit that resulted from the decline in sales in H2 2015 of S\$4.6 million, which caused a marginal decrease in gross profit by S\$0.2 million or 1.7% as compared to H1 2015.

Vis-à-vis H2 2014, gross profit margin was 3.0%-point higher due to same reasons noted above plus a lower write off of inventory in H2 2015. As a result, gross profit for H2 2015 was marginally higher by S\$0.1 million despite S\$7.3 million decline in sales.

FY 2015 vs FY 2014

Year-on-year, gross profit margin improved by 2.7% point to 22.9% mainly due to better gross profit margin across ASEAN, America and Middle East markets and a lower write off of inventory in FY 2015.

We achieved higher gross profit of S\$25.4 million, which represented an increase of S\$1.9 million or 8.2% as compared to the previous year despite recording a fall in sales in FY 2015.

8(a)(iii) Other operating income

	H2 2015		H1 2015		H2 2014		Variance Fav/(Unfav) H2 2015 vs H1 2015		Variance Fav/(Unfav) H2 2015 vs H2 2014	
	S\$'000		S\$'000		S\$'000		S\$'000		%	
Bad debt recovered	19	51	12	(32)	(62.3)	7	57.9			
Change in fair value of financial assets held for trading										
- forward foreign exchange contracts	(43)	76	47	(119)	(157.5)	(90)	(192.4)			
- listed equity security	10	-	55	10	100.0	(45)	(81.8)			
Grant income	59	33	-	25	75.9	59	100.0			
Net foreign exchange gain	-	-	190	-	-	(190)	(100.0)			

	FY 2015	FY 2014	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Bad debt recovered	70	63	7	10.8
Change in fair value of financial assets held for trading				
- listed equity security	10	60	(50)	(83.3)
Change in fair value of financial assets held for trading				
- forward foreign exchange contracts	32	47	(15)	(31.6)
Grant income	92	41	52	127.0
Net foreign exchange gain	-	190	(190)	(100.0)

H2 2015 vs H1 2015
H2 2015 vs H2 2014

Other operating income in H2 2015 decreased as compared to both H1 2015 and H2 2014. The main factors causing the decrease were mainly lower fair value gain from listed equity security and forward foreign exchange contracts offset by higher grant income received.

FY 2015 vs FY 2014

Other operating income decreased by S\$182,000 or 38.7% to S\$288,000 mainly due to net foreign exchange gain recorded in prior year of S\$0.2 million, as opposed to net foreign exchange loss suffered this year of S\$83,000, as well as lower fair value gain from listed equity security and forward foreign exchange contracts of S\$65,000 in total. This was partially offset by an increase in grant income received of S\$52,000.

8(a)(iv) Operating expenses

H2 2015 vs H1 2015

H2 2015 vs H2 2014

	H2 2015	H1 2015	H2 2014	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2015 vs H1 2015	%	H2 2015 vs H2 2014	%
Employee remuneration and related expenses	6,287	6,277	6,094	(10)	(0.2)	(193)	(3.2)
Net foreign exchange (gain)/loss	(305)	389	-	694	178.6	305	100.0
Professional fees	346	270	363	(76)	(28.0)	17	4.7
Travelling and transport	540	461	520	(79)	(17.1)	(20)	(3.9)
Rental	1,393	1,305	1,153	(88)	(6.8)	(240)	(20.8)

The impact of net foreign exchange gain of S\$0.3 million in H2 2015, as compared to a net loss of S\$0.4 million in H1 2015, was the main reason for the decrease in total operating expenses from S\$11.0 million to S\$10.6 million in H2 2015. The net foreign exchange gain in H2 2015 arose mainly from the appreciation of United State Dollars against British Pound and Singapore Dollars.

Excluding the impact of foreign exchange, operating expenses in H2 2015 would have increased by S\$0.3 million due to higher rental, professional fees and travelling and transport expenses.

As compared to H2 2014, total operating expenses were higher marginally by S\$0.1 million or 1.4%. Excluding net foreign exchange gain of S\$0.3 million in H2 2015, the increase would be higher by S\$0.4 million which was mainly attributable to higher employee remuneration and related expenses and rental expense.

FY 2015 vs FY 2014

Total operating expenses for FY 2015 amounted to S\$21.6 million which represented an increase of S\$1.4 million or 6.9% as compared to last year. Excluding net foreign exchange loss, the increase would be smaller at S\$1.3 million or 6.5%.

The main variances in our operating expenses were as follows:

	FY 2015	FY 2014	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Employee remuneration and related expenses	12,563	11,711	(852)	(7.3)
Net foreign exchange loss	83	-	(83)	(100.0)
Professional fees	616	689	73	10.6
Rental	2,698	2,098	(600)	(28.6)

Employee remuneration remained the largest component of total operating expenses followed by rental expenses. The increase of S\$0.9 million or 7.3% for employee remuneration was in line with annual pay increment and additional headcount hired for expansion.

Increase in warehousing rental rates and higher average inventory level compared to last year led to an increase in rental expenses of S\$0.6 million or 28.6%.

Lower professional fees were incurred as certain services such as tax-related consultancy fees and lawyers' fees for financing of the purchase of land in Malaysia did not recur in the current year.

8(a)(v) Finance costs

Finance costs comprised the following:-

	H2 2015	H1 2015	H2 2014	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2015 vs H1 2015	%	H2 2015 vs H2 2014	%
Bills payables	137	144	168	8	5.2	32	18.9
Bank loans	173	139	104	(35)	(25.0)	(70)	(67.4)
Total finance costs	310	283	272	(27)	(9.6)	(38)	(13.9)

	FY 2015	FY 2014	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Bills payables	281	287	7	2.3
Bank loans	312	205	(107)	(52.3)
Total finance costs	593	492	(100)	(20.4)

H2 2015 vs H1 2015 H2 2015 vs H2 2014

Average trade borrowings continued to fall in H2 2015 as compared to H1 2015 and H2 2014 as a result of positive cashflow.

On the other hand, new long term bank loan was drawn down in March 2015 to finance the land purchase in Malaysia. This caused overall finance costs for H2 2015 to be higher than H1 2015 and H2 2014 by S\$27,000 or 9.6% and S\$38,000 or 13.9% respectively.

FY 2015 vs FY 2014

Finance costs increased year-on-year by S\$0.1 million or 20.4% primarily due to new long term bank loan drawn down and higher borrowing rates although average trade borrowings had decreased.

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

H2 2015 vs H1 2015 H2 2015 vs H2 2014

The distribution business segment from our associated company in Thailand remained weak in H2 2015. The increase in our share of profits of S\$0.3 million or 87.0% vis-à-vis H1 2015 was primarily due to one-time valuation gain of S\$0.2 million on plant and equipment resulting from the restructuring of one of our associated companies.

As compared to H2 2014, share of profits were higher by S\$40,000 or 7.3% mainly due to valuation gain on plant and equipment of S\$0.2 million.

FY 2015 vs FY 2014

Year-on-year, our share of profit decreased by S\$0.1 million or 11.3% as the Thai economy had yet to see a strong recovery this year, which mirrored the performance of our ASEAN market although net gain on restructuring of one of the associated companies helped to increase profitability in the current year.

8(a)(vii) Profit before income tax

H2 2015 vs H1 2015

As compared to H1 2015, the increase in net profit before tax for H2 2015 of S\$0.4 million or 17.4% were mainly due to net impact of the reversal of net foreign exchange loss and valuation gain from plant and equipment from associated company.

H2 2015 vs H2 2014

Despite higher gross profit earned, net profit was lower by S\$0.3 million or 11.3% due to higher operating expenses of S\$0.4 million incurred in H2 2015.

FY 2015 vs FY 2014

Although we achieved higher gross profit of S\$25.4 million, which represent an increase of S\$1.9 million, this was eroded by higher operating expenses and finance cost of S\$1.4 million, unfavourable foreign exchange impact of S\$0.3 million and lower share of profit of associated companies of S\$0.1 million.

As a result, net profit before tax increased marginally by S\$0.1 million or 3.0% to S\$4.4 million as compared to last year. As for EBITDA, it increased by S\$0.2 million or 2.6% to S\$6.4 million in FY 2015.

8(a)(viii) Net profit after tax

Consistent with the above, net profit after tax increased by S\$0.3 million or 20.1% vis-à-vis H1 2015 but fell by S\$0.3 million or 12.6% as compared to for H2 2014. Year-on-year, it was up marginally by S\$0.1 million or 2.9% to S\$3.3 million.

8(a)(ix) Total comprehensive income

H2 2015 vs H1 2015

H2 2015 vs H2 2014

Total comprehensive income fell by S\$50,000 or 4.8% and S\$1.2 million or 55.6% as compared to H1 2015 and H2 2014 respectively. This was due to net exchange losses on translation of foreign operations of S\$0.8 million in H2 2015 as opposed to a smaller loss of S\$0.5 million in H1 2015 and net exchange gain on translation of S\$0.2 million in H2 2014.

The net exchange losses on translation of foreign operations of S\$0.8 million in H2 2015 and S\$0.5 million in H1 2015 arose primarily from the significant weakening in Malaysia Ringgit while the net exchange gains on translation in H2 2014 resulted from a mix of a stronger Thai Baht and United States Dollar.

FY 2015 vs FY 2014

Year-on-year, total comprehensive income fell by S\$1.3 million or 40.0% mainly from the significant weakening in Malaysia Ringgit.

8(b) BALANCE SHEET ANALYSIS

Balance Sheet Highlights	As at		Variance
	31 December 2015	31 December 2014	31 December 2015 vs 31 December 2014
			Fav/(Unfav)
Cash (S\$mil)	11.1	9.0	2.1
Borrowings (S\$mil)	18.3	21.9	3.6
Current ratio	2.07	1.74	0.33
Gearing ratio	0.43	0.52	0.09
Net assets per share attributable to equity holders of the Company (cents)	31.65	31.45	0.20
Inventory turnover (days)	101	90	(11)
Trade receivables turnover (days)	93	89	(4)

Property, plant and equipment

Property, plant and equipment decreased by S\$1.5 million or 10.9% mainly due to depreciation charge of S\$1.5 million and net exchange losses on translation of S\$0.5 million which arose mainly from the land in Malaysia. This was offset by capital expenditure of S\$0.4 million during the year.

Associated companies

The decrease in the carrying value of our investment by S\$1.6 million or 23.1% was mainly due to dividend return of S\$2.3 million offset by net positive contribution from our associated companies of S\$0.9 million.

Trade receivables

Net third party trade receivables decreased by S\$3.9 million or 13.4% from S\$29.4 million as at 31 December 2014 to S\$25.5 million as at 31 December 2015 as a result of lower sales achieved for the current year. Turnover days for FY 2015 increased to 93 days from 89 days in FY 2014 as proportion of receivables from South America remained high.

Inventory

Inventory decreased marginally by S\$0.5 million or 2.4% to S\$21.0 million as at 31 December 2015. This was in line with slower sales in FY 2015. Inventory turnover days increased to 101 days as compared to 90 days in the previous year.

Other current assets

Other current assets of S\$1.9 million, which consist mainly of advances to suppliers and prepayments, increased marginally by S\$50,000 or 2.7% as compared to S\$1.8 million as at 31 December 2014 mainly due to higher prepayment of taxes offset by lower advance payments to suppliers for inventory purchase.

Financial assets and financial liabilities held for trading

Both financial assets and liabilities held for trading remained relatively unchanged as compared to 31 December 2014.

Trade and other payables

Corresponding to the decrease in inventory, trade payables declined from S\$7.4 million as at 31 December 2014 to S\$7.1 million as at end of current year.

Non-trade amount due to related party, which consist of short term loan from director, decreased by S\$0.2 million to S\$0.7 million as at 31 December 2015 after partial repayments were made.

Other payables decreased by S\$0.8 million mainly due to final payments made for the purchase of industrial land in Malaysia. Advance payments from customers, mainly from South America customers, and accrued operating expenses each fell by S\$0.6 million. The decrease in advance payments from customers was largely due to reduced sales to that market in FY 2015.



Borrowings

Strong cash generated from operating activities were utilized to reduce trade borrowings of S\$3.5 million and short term bank loans of S\$1.1 million. This was offset by new long term loan drawn to finance purchase of land in Malaysia.

As a result, total borrowings declined by S\$3.6 million or 16.7% to S\$18.3 million as at 31 December 2015. Consequentially, our gearing ratio was reduced to 0.43.

Net asset value

Net asset value per share increased from 31.45 cents as at 31 December 2014 to 31.65 cents as at 31 December 2015 primarily due to total comprehensive income for the current year of S\$1.6 million offset by dividend payment to shareholders of S\$1.3 million.

8(c) CASH FLOW

Overall cash and cash equivalents increased by S\$2.1 million from S\$9.0 million as at 31 December 2014 to S\$11.1 million as at 31 December 2015. S\$7.0 million was generated from operating activities and dividends totaled S\$2.3 million were received. These were substantially used to reduce overall short term borrowings of S\$4.8 million, finance capital expenditure of S\$1.3 million and to meet our dividends obligations of S\$1.3 million.

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

There was no forecast previously disclosed to shareholders.

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 the year 2016 ("FY 2016") are as follows:

The global economy

The headwinds to global economy from deceleration in China's growth and the fragility of the Euro zone have not diminished. If these risk factors do not subside, it will weigh on the prospects for the chemical industry. 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.

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. Hike in interest rates in the US has raised our borrowing costs. Any further significant increase in market interest rates will increase our borrowing cost further.

Credit risk

Our products are sold to more than 2,000 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 2016

The final months of 2015 ushered in further signs of growth deceleration in China, weakness in Europe's economies, meltdown in crude oil prices plus heightened conflict and tension in the Middle East. The hangover from last year seems likely to extend for some time into 2016.

Therefore we expect a more challenging economic environment going into 2016, marked mainly by continued concerns over the impact of slowing China's economy and the economic health of Europe. Risks are also lurking in the currency markets with higher volatility as well as in the overall financial market which could ultimately hurt the overall economy.

The prospects in chemical industry will inevitably move in tandem with the overall economy. Our efforts to maintain revenue growth momentum will be faced with mounting external challenges.

In response to the challenges, Megachem will refine our strategy with a focus on building resilience while keeping an eye on the longer term opportunities that the industry presents. This will involve:

- pursuing diversification in our business portfolio;
- adjusting our portfolio with more emphasis on coverage of more resilient industries;
- leveraging on our extensive network in Asia to capitalise on the long term growth of one of the largest markets for chemicals;
- enhancing relationships with key global customers and suppliers; and
- improving operational excellence.

Despite many headwinds ahead, the long term outlook of the chemical industry remains positive especially in Asia where growth will continue to outpace other regions. Although we may take a more cautious business approach in the short term, our longer term prospect remains intact given our strong business fundamentals and our strength in Asia.

11. Dividend

(a) Current financial year reported on

Any dividend declared (recommended) for the current financial year ended 31 December 2015? 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 2015 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	31 May 2016	30 September 2015
Book closure date	13 May 2016	15 September 2015

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the immediately preceding financial year ended 31 December 2014? Yes

Name of dividend	Final	Interim
Dividend type	Cash	Cash
Dividend amount per share (in cents)	0.7	0.3
Tax rate	Exempt	Exempt
Date paid	29 May 2015	30 September 2014
Book closure date	15 May 2015	12 September 2014

(c) Date payable

The final tax exempt dividend of 0.7 cent per share in respect of the financial year ended 31 December 2015, subject to approval by the shareholders at the next Annual General Meeting to be convened, will be paid on 31 May 2016.

(d) Books closure date

The Transfer Books and Register of Members of the Company will be closed on 13 May 2016 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 12 May 2016 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 12 May 2016 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 31 May 2016.

12. Segmented revenue and results for operating 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
For the financial year ended							
31 December 2015							
Sales							
Total sales by segment	55,967	14,073	13,982	18,748	23,744	-	126,514
Inter-segment sales	(9,127)	(467)	(118)	(2,716)	(3,526)	-	(15,954)
	<u>46,840</u>	<u>13,606</u>	<u>13,864</u>	<u>16,032</u>	<u>20,218</u>	<u>-</u>	<u>110,560</u>
Segment result							
Interest income - bank						65	65
Finance costs						(593)	(593)
Share of profit of associated companies						898	898
Profit before income tax						370	4,386
Income tax expense						(1,102)	(1,102)
Net profit	<u>1,948</u>	<u>851</u>	<u>960</u>	<u>265</u>	<u>(8)</u>	<u>(732)</u>	<u>3,284</u>
Other segment items							
Capital expenditure	173	166	10	9	40	-	398
Depreciation	1,248	91	43	21	70	-	1,473
Segment assets							
Associated companies						5,199	5,199
Interest earning cash balances						1,103	1,103
Consolidated total assets	<u>32,279</u>	<u>11,656</u>	<u>7,324</u>	<u>9,008</u>	<u>11,131</u>	<u>6,302</u>	<u>77,700</u>
Segment liabilities							
Borrowings						(18,269)	(18,269)
Current income tax liabilities						(212)	(212)
Consolidated total liabilities	<u>(2,791)</u>	<u>(808)</u>	<u>(3,426)</u>	<u>(4,274)</u>	<u>(2,836)</u>	<u>(18,481)</u>	<u>(32,616)</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
For the financial year ended 31 December 2014							
Sales							
Total sales by segment	59,085	15,450	15,345	23,978	22,176	-	136,034
Inter-segment sales	(12,689)	(530)	(88)	(2,790)	(4,013)	-	(20,110)
	<u>46,396</u>	<u>14,920</u>	<u>15,257</u>	<u>21,188</u>	<u>18,163</u>	<u>-</u>	<u>115,924</u>
Segment result							
Interest income - bank	628	995	1,147	1,186	(258)	-	3,698
Finance costs						42	42
						(492)	(492)
Share of profit of associated companies						1,011	1,011
Profit before income tax						561	4,259
Income tax expense						(1,067)	(1,067)
Net profit	<u>628</u>	<u>995</u>	<u>1,147</u>	<u>1,186</u>	<u>(258)</u>	<u>(506)</u>	<u>3,192</u>
Other segment items							
Capital expenditure	356	3,238	55	1	76	-	3,726
Depreciation	1,259	110	38	22	84	-	1,513
Segment assets							
Segment assets	32,274	12,770	7,826	11,655	11,961	-	76,486
Associated companies						6,762	6,762
Interest earning cash balances						85	85
Consolidated total assets	<u>32,274</u>	<u>12,770</u>	<u>7,826</u>	<u>11,655</u>	<u>11,961</u>	<u>6,847</u>	<u>83,333</u>
Segment liabilities							
Segment liabilities	(5,282)	(1,553)	(806)	(6,105)	(2,790)	-	(16,536)
Borrowings						(21,919)	(21,919)
Current income tax liabilities						(338)	(338)
Deferred income tax liabilities						(21)	(21)
Consolidated total liabilities	<u>(5,282)</u>	<u>(1,553)</u>	<u>(806)</u>	<u>(6,105)</u>	<u>(2,790)</u>	<u>(22,278)</u>	<u>(38,814)</u>

12. Segmented revenue and results for operating 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
For the financial year ended				
31 December 2015				
Sales				
Total sales by segment	122,553	3,961	-	126,514
Inter-segment sales	(15,459)	(495)	-	(15,954)
	<u>107,094</u>	<u>3,466</u>	<u>-</u>	<u>110,560</u>
Segment result				
	3,898	118	-	4,016
Interest income - bank			65	65
Finance costs			(593)	(593)
Share of profit of associated companies			898	898
Profit before income tax			370	4,386
Income tax expense			(1,102)	(1,102)
Net profit	<u>3,898</u>	<u>118</u>	<u>(732)</u>	<u>3,284</u>
Other segment items				
Capital expenditure	345	53	-	398
Depreciation	572	901	-	1,473
				<u>1,473</u>
	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets				
	63,071	8,327	-	71,398
Associated companies			5,199	5,199
Interest earning cash balances			1,103	1,103
Consolidated total assets	<u>63,071</u>	<u>8,327</u>	<u>6,302</u>	<u>77,700</u>
Segment liabilities				
	(13,713)	(422)	-	(14,135)
Borrowings			(18,269)	(18,269)
Current income tax liabilities			(212)	(212)
Consolidated total liabilities	<u>(13,713)</u>	<u>(422)</u>	<u>(18,481)</u>	<u>(32,616)</u>



	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
For the financial year ended 31 December 2014				
Sales				
Total sales by segment	132,241	3,793	-	136,034
Inter-segment sales	(19,670)	(440)	-	(20,110)
	<u>112,571</u>	<u>3,353</u>	<u>-</u>	<u>115,924</u>
Segment result				
Interest income - bank			42	42
Finance costs			(492)	(492)
Share of profit of associated companies			<u>1,011</u>	<u>1,011</u>
Profit before income tax	3,875	(177)	561	4,259
Income tax expense			(1,067)	(1,067)
Net profit	<u>3,875</u>	<u>(177)</u>	<u>(506)</u>	<u>3,192</u>
Other segment items				
Capital expenditure	3,706	20	-	3,726
Depreciation	602	911	-	1,513
Segment assets				
Associated companies	67,590	8,896	6,762	76,486
Interest earning cash balances			85	85
Consolidated total assets	<u>67,590</u>	<u>8,896</u>	<u>6,847</u>	<u>83,333</u>
Segment liabilities				
Borrowings	(16,088)	(448)	(21,919)	(16,536)
Current income tax liabilities			(338)	(338)
Deferred income tax liabilities			(21)	(21)
Consolidated total liabilities	<u>(16,088)</u>	<u>(448)</u>	<u>(22,278)</u>	<u>(38,814)</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 31 December 2015 S\$'000	Full year ended 31 December 2014 S\$'000	Variance Increase/ (decrease)	
			S\$'000	%
<u>Sales</u>				
(a) Sales for the first half ("H1")	57,571	55,630	1,941	3.5%
(b) Sales for the second half ("H2")	52,989	60,294	(7,305)	(12.1%)
<i>Increase/(decrease) H2 from H1</i>	(4,582)	4,664		
<i>Increase/(decrease) H2 from H1 (in %)</i>	(8.0%)	8.4%		
<u>Profit after tax</u>				
(c) Profit after tax and before attributing to non-controlling interests for H1	1,492	1,142	350	30.7%
(d) Profit after tax and before attributing to non-controlling interests for H2	1,792	2,050	(259)	(12.6%)
<i>Increase H2 from H1</i>	300	908		
<i>Increase H2 from H1 (in %)</i>	20.1%	79.5%		

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 31 December 2015 S\$	Full year ended 31 December 2014 S\$
Total annual dividend paid		
Ordinary	1,333,000	1,333,000

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 2015 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 2015 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 5)
Sales of products to Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	(Note 2)	Nil (Note 5)
Purchase of products from Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	(Note 2) S\$109,226	Nil (Note 5)

Name of interested person	Aggregate value of all interested person transactions during the financial year ended 31 December 2015 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 2015 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 5)
Short term loan from Tan Bock Chia, a director of Megachem Group	(Note 4)	Nil (Note 5)

Note 1 : The Group entered into interested person transactions amounting in aggregate to S\$95,681 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\$5,090 and S\$747,650 respectively. Saved for the purchase transaction which amounted to S\$109,226 as disclosed in the above table, each sales and purchase 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\$90,778 and each transaction was below S\$100,000 which fell outside the scope of Rule 920.

Note 4 : The short term loan of S\$696,640 received by the Group is interest-free. The loan remained outstanding as at date of announcement.

Note 5 : 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	49	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 since 1 January 2009.	Nil

The following directors and substantial shareholders have confirmed that as at 31 December 2015, 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



18. Undertaking from directors and executive officers in pursuant to Rule 720(1).

The Company will procure signed undertakings from all its Directors and executive officers based on the latest revised form set out in Appendix 7H of the Catalist Rules on or before 30 April 2016, which will replace and supersede the undertakings previously signed by the Directors and executive officers on 23 November 2015.

On behalf of the Board of Directors

Chew Choon Tee
Executive Chairman
22 February 2016

Tan Bock Chia
Executive Director