



MEGACHEM LIMITED

Un-audited Financial Statements and Dividend Announcement

For The Full Year Ended
31 December 2016

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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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SAC Capital Private Limited is the parent company of SAC Advisors Private Limited.



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UNAUDITED RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2016

The directors of Megachem Limited are pleased to advise the following unaudited results of the Group for the full year ended 31 December 2016.

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 2016

	For the full year	For the full year	Variance	
	ended	ended	Favourable/(Unfavourable)	
	31 December 2016	31 December 2015	S\$'000	%
	S\$	S\$		
Revenue	99,762,948	110,560,267	(10,797)	(9.8%)
Cost of sales	<u>(74,494,752)</u>	<u>(85,190,824)</u>	10,696	12.6%
Gross profit	25,268,196	25,369,443	(101)	(0.4%)
Other income	732,087	288,170	444	154.0%
Distribution costs	(14,601,434)	(13,825,310)	(776)	(5.6%)
Administrative expenses	(5,004,889)	(4,940,134)	(65)	(1.3%)
Other operating expenses	(2,749,118)	(2,811,568)	62	2.2%
Finance costs	(559,859)	(592,558)	33	5.5%
Share of profit of associated companies	559,402	897,508	(338)	(37.7%)
Profit before income tax	3,644,385	4,385,551	(741)	(16.9%)
Income tax expense	<u>(1,414,375)</u>	<u>(1,101,457)</u>	(313)	(28.4%)
Net profit	2,230,010	3,284,094	(1,054)	(32.1%)
Other comprehensive income:				
Exchange differences on translating foreign operations, net of tax	<u>(710,574)</u>	<u>(1,261,173)</u>	551	43.7%
Total comprehensive income	1,519,436	2,022,921	(503)	(24.9%)
Net profit attributable to:				
Equity holders of the Company	2,040,876	2,955,375	(914)	(30.9%)
Non-controlling interests	<u>189,134</u>	<u>328,719</u>	(140)	(42.5%)
Net profit	2,230,010	3,284,094	(1,054)	(32.1%)
Total comprehensive income attributable to:				
Equity holders of the Company	1,390,519	1,613,346	(223)	(13.8%)
Non-controlling interests	<u>128,917</u>	<u>409,575</u>	(281)	(68.5%)
Total comprehensive income	1,519,436	2,022,921	(503)	(24.9%)
Earnings per share of profit attributable to equity holders of the Company during the financial year				
- basic and diluted	<u>1.53 cents</u>	<u>2.22 cents</u>	(0.69)	(31.1%)



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

	For the full year ended 31 December 2016	For the full year ended 31 December 2015
	S\$	S\$
<u>Other income</u>		
Bad debt recovered	89,230	70,198
Change in fair value of financial assets at fair value through profit or loss	111,061	42,176
Dividend income	1,524	2,137
Gain on disposal of property, plant and equipment	39,918	-
Grant income	133,651	92,262
Interest income from banks	80,878	64,948
Net foreign exchange gain	260,034	-
Rental income	15,791	16,449
	<u>732,087</u>	<u>288,170</u>
Change in fair value of financial assets at fair value through profit or loss		
- forward foreign exchange contracts	71,061	32,176
- listed equity security	40,000	10,000
Change in fair value of financial liabilities at fair value through profit or loss		
- forward foreign exchange contracts	(18,127)	(50,595)
Depreciation and amortisation	(1,459,548)	(1,472,894)
Interest on borrowings	(559,859)	(592,558)
Impairment of trade receivables	(1,035,640)	(104,377)
Net foreign exchange gain/(loss)	260,034	(83,054)
Write off of inventory	(590,135)	(285,874)
Adjustment for over/(under) provision for tax in respect of prior reporting years	5,518	(1,791)
Gain/(loss) on disposal of property plant and equipment	39,918	(105)



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 2016

	<u>Group</u>		<u>Company</u>	
	31 December 2016 S\$	31 December 2015 S\$	31 December 2016 S\$	31 December 2015 S\$
ASSETS				
Non-current assets				
Property, plant and equipment	11,425,745	12,445,028	1,668,712	1,846,867
Investment property	83,387	88,290	-	-
Investments in subsidiaries	-	-	5,084,379	5,439,769
Investments in associated companies	3,126,186	5,198,955	2,798,756	99,949
Transferable club memberships	26,476	26,963	4,001	4,001
	<u>14,661,794</u>	<u>17,759,236</u>	<u>9,555,848</u>	<u>7,390,586</u>
Current assets				
Inventories	20,368,700	21,003,149	10,046,724	11,066,445
Trade and other receivables	24,233,154	25,860,679	16,147,339	15,312,290
Financial assets at fair value through profit or loss	216,919	142,186	150,000	121,158
Other current assets	2,168,578	1,874,837	368,184	279,562
Cash and bank balances	11,560,037	11,059,729	3,291,107	3,630,363
	<u>58,547,388</u>	<u>59,940,580</u>	<u>30,003,354</u>	<u>30,409,818</u>
Total assets	<u>73,209,182</u>	<u>77,699,816</u>	<u>39,559,202</u>	<u>37,800,404</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	(4,532,691)	(3,882,334)	-	-
Retained earnings	30,629,177	30,186,070	8,809,402	4,797,132
	<u>41,988,514</u>	<u>42,195,764</u>	<u>24,701,430</u>	<u>20,689,160</u>
Non-controlling interests	<u>2,808,655</u>	<u>2,888,052</u>	<u>-</u>	<u>-</u>
Total equity	<u>44,797,169</u>	<u>45,083,816</u>	<u>24,701,430</u>	<u>20,689,160</u>
Non-current liabilities				
Borrowings	2,907,008	3,710,594	-	-
	<u>2,907,008</u>	<u>3,710,594</u>	<u>-</u>	<u>-</u>
Current liabilities				
Current income tax liabilities	62,923	212,434	-	64,071
Trade and other payables	13,006,569	14,083,909	6,863,060	7,216,879
Borrowings	12,418,443	14,558,468	7,994,712	9,829,813
Financial liabilities at fair value through profit or loss	17,070	50,595	-	481
	<u>25,505,005</u>	<u>28,905,406</u>	<u>14,857,772</u>	<u>17,111,244</u>
Total liabilities	<u>28,412,013</u>	<u>32,616,000</u>	<u>14,857,772</u>	<u>17,111,244</u>
Total equity and liabilities	<u>73,209,182</u>	<u>77,699,816</u>	<u>39,559,202</u>	<u>37,800,404</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 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
S\$2,335,421	S\$10,083,022	S\$2,193,492	S\$12,364,976

Amount repayable after one year

As at 31 December 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
S\$2,907,008	-	S\$3,710,594	-

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 2016

	For the full year ended 31 December 2016 S\$	For the full year ended 31 December 2015 S\$
Cash flows from operating activities		
Net profit	2,230,010	3,284,094
Adjustments for:		
Change in fair value of financial assets	(40,000)	(10,000)
Depreciation charge	1,459,548	1,472,894
Dividend income	(1,524)	(2,137)
(Gain)/loss on disposal of property, plant and equipment	(39,918)	105
Share of profit of associated companies	(559,402)	(897,508)
Income tax expense	1,414,375	1,101,457
Interest income	(80,878)	(64,948)
Finance costs	559,859	592,558
Operating cash flow before working capital changes	<u>4,942,070</u>	<u>5,476,515</u>
Change in operating assets and liabilities		
Trade and other receivables	(199,515)	3,927,379
Inventories	452,041	308,681
Financial assets at fair value through profit or loss	(34,733)	14,854
Trade and other payables	(360,707)	(1,594,874)
Financial liabilities at fair value through profit or loss	(33,525)	(490)
Foreign exchange adjustment differences	53,076	76,698
Cash from operations	<u>4,818,707</u>	<u>8,208,763</u>
Income tax paid	(1,406,318)	(1,317,425)
Interest received	80,878	64,948
Net cash from operating activities	<u>3,493,267</u>	<u>6,956,286</u>
Cash flows from investing activities		
Dividends received from associated company and listed equity security	5,426,676	2,298,202
Purchase of property, plant and equipment	(511,927)	(1,323,666)
Proceeds from sale of property, plant and equipment	40,920	4,843
Subscription for shares in associated company	(2,698,807)	-
Net cash from investing activities	<u>2,256,862</u>	<u>979,379</u>
Cash flows from financing activities		
Dividends paid	(1,599,600)	(1,333,000)
Dividends paid by subsidiary to non-controlling shareholders	(208,314)	(117,659)
(Repayments of)/proceeds from long term bank loan	(724,037)	1,098,935
Proceeds from/(repayments of) bills payables	62,786	(3,695,406)
Repayments of short term bank loans	(2,136,507)	(1,077,481)
Refunds/(payments of) prior year unclaimed dividends	1,831	(7,397)
Interest paid	(578,100)	(599,799)
Net cash used in financing activities	<u>(5,181,941)</u>	<u>(5,731,807)</u>
Net increase in cash and cash equivalents held	568,188	2,203,858
Cash and cash equivalents, statement of cashflow, beginning balance	11,059,729	8,999,243
Effects of exchange rate changes on cash and cash equivalents	(100,491)	(143,372)
Cash and cash equivalents, statement of cashflow, ending balance	<u>11,527,426</u>	<u>11,059,729</u>
Cash and cash equivalents comprised the followings:		
Cash and bank balances	11,560,037	11,059,729
Less: bank overdraft	(32,611)	-
	<u>11,527,426</u>	<u>11,059,729</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.

STATEMENT OF CHANGES IN EQUITY FOR THE FULL YEAR ENDED 31 DECEMBER 2016

	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>						
Curent year :						
Opening balance at 1 January 2016	45,083,816	42,195,764	15,892,028	(3,882,334)	30,186,070	2,888,052
Total comprehensive income for the reporting year	1,519,436	1,390,519	-	(650,357)	2,040,876	128,917
Final dividend relating to 2015 paid	(933,100)	(933,100)	-	-	(933,100)	-
Interim dividend relating to 2016 paid	(666,500)	(666,500)	-	-	(666,500)	-
Prior years unclaimed dividends refunded	1,831	1,831	-	-	1,831	-
Final dividend paid to non- controlling interest	(208,314)	-	-	-	-	(208,314)
Closing balance at 31 December 2016	44,797,169	41,988,514	15,892,028	(4,532,691)	30,629,177	2,808,655
Previous year :						
Opening 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)
Closing balance at 31 December 2015	45,083,816	42,195,764	15,892,028	(3,882,334)	30,186,070	2,888,052

<u>The Company</u>	Total equity S\$	Share capital S\$	Retained earnings S\$
Current year :			
Opening balance at 1 January 2016	20,689,160	15,892,028	4,797,132
Total comprehensive income for the reporting year	5,610,039	-	5,610,039
Final dividend relating to 2015 paid	(933,100)	-	(933,100)
Interim dividend relating to 2016 paid	(666,500)	-	(666,500)
Prior years unclaimed dividends refunded	1,831	-	1,831
Closing balance at 31 December 2016	<u>24,701,430</u>	<u>15,892,028</u>	<u>8,809,402</u>
Previous year :			
Opening 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)
Closing balance at 31 December 2015	<u>20,689,160</u>	<u>15,892,028</u>	<u>4,797,132</u>

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 2016.

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 2016 and 31 December 2015.

There were no outstanding convertibles as at 31 December 2016 and 31 December 2015.

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 2016 and 31 December 2015 was 133,300,000 shares.



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 2015.

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 2016, the Group adopted the new and revised Financial Reporting Standards ("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 2016	For the full year ended 31 December 2015
Earnings per ordinary shares (in cents)		
a) Based on weighted average number of ordinary shares on issue	1.53	2.22
b) On a fully diluted basis	1.53	2.22
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 2016	31 December 2015	31 December 2016	31 December 2015
Net asset value per ordinary share based on issued share capital (cents)	31.50	31.65	18.53	15.52
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 2016	H2 2016	Variance H2 2016 vs H1 2016		Variance H2 2016 vs H2 2015	
				Fav/(Unfav)	%	Fav/(Unfav)	%
Sales (S\$mil)	53.0	51.3	48.5	(2.8)	(5.5%)	(4.5)	(8.5%)
Gross profit (S\$mil)	12.6	12.8	12.4	(0.4)	(3.1%)	(0.1)	(1.1%)
Gross profit margin	23.7%	25.0%	25.7%	0.7% pts	na	2.0% pts	na
Total operating expenses and finance costs (S\$mil)	10.9	11.6	11.3	0.3	2.6%	(0.4)	(3.9%)
Other income (S\$'000)	90	308	424	116	37.6%	334	370.3%
Share of profit of associated companies (S\$'000)	585	281	279	(2)	(0.7%)	(306)	(52.3%)
Net profit before tax (S\$mil)	2.4	1.8	1.8	-	1.5%	(0.5)	(22.5%)
Net profit after tax (S\$mil)	1.8	0.9	1.3	0.4	42.3%	(0.5)	(26.9%)
Net profit after tax margin	3.4%	1.8%	2.7%	0.9% pts	na	(0.7% pts)	na
EBITDA (S\$mil)	3.4	2.8	2.8	-	(0.5%)	(0.6)	(17.0%)
EBITDA margin	6.3%	5.5%	5.7%	0.2% pts	na	(0.6% pts)	na
Earnings per share attributable to the equity holders of the Company (cents)	1.22	0.59	0.94	0.35	59.3%	(0.28)	(22.9%)
Annualised return on equity (ROE)	7.7%	3.8%	6.0%	2.2% pts	na	(1.7% pts)	na

Profitability Highlights	FY 2015	FY 2016	Variance FY 2016 vs FY 2015	
			Fav/(Unfav)	%
Sales (S\$mil)	110.6	99.8	(10.8)	(9.8%)
Gross profit (S\$mil)	25.4	25.3	(0.1)	(0.4%)
Gross profit margin	22.9%	25.3%	2.4% pts	na
Total expenses and finance cost (S\$mil)	22.2	22.9	(0.7)	(3.4%)
Other income (S\$'000)	288	732	444	154.0%
Share of profit of associated companies (S\$'000)	898	559	(338)	(37.7%)
Net profit before tax (S\$mil)	4.4	3.6	(0.7)	(16.9%)
Net profit after tax (S\$mil)	3.3	2.2	(1.1)	(32.1%)
Net profit after tax margin	3.0%	2.2%	(0.8% pts)	na
EBITDA (S\$mil)	6.4	5.6	(0.8)	(12.6%)
EBITDA margin	5.8%	5.6%	(0.2% pts)	na
Earnings per share attributable to the equity holders of the Company (cents)	2.22	1.53	(0.69)	(31.1%)
Annualised return on equity (ROE)	7.0%	4.9%	(2.1% pts)	na

na : not applicable

8(a) PROFITABILITY ANALYSIS

8(a)(i) Sales

	H2 2015	H1 2016	H2 2016	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2016 vs H1 2016	%	H2 2016 vs H2 2015	%
ASEAN	36,183	34,492	31,780	(2,713)	(7.9)	(4,403)	(12.2)
North Asia	7,882	7,038	6,247	(791)	(11.2)	(1,635)	(20.8)
Europe	3,083	3,078	2,896	(182)	(5.9)	(187)	(6.1)
South Asia	2,380	2,745	2,753	9	0.3	373	15.7
Middle East	1,696	1,945	2,082	137	7.1	386	22.8
Australia	967	1,367	2,301	934	68.3	1,334	138.0
America	755	623	405	(218)	(35.1)	(350)	(46.4)
Africa	43	7	4	(3)	(40.8)	(39)	(90.7)
Total	52,989	51,295	48,468	(2,827)	(5.5)	(4,521)	(8.5)

	FY 2015		FY 2016		Variance Fav/(Unfav)	
	S\$'000	%	S\$'000	%	S\$'000	%
ASEAN	75,026	67.8	66,273	66.4	(8,753)	(11.7)
North Asia	14,497	13.1	13,283	13.3	(1,214)	(8.4)
Europe	6,521	5.9	5,974	6.0	(547)	(8.4)
South Asia	4,743	4.3	5,498	5.5	755	15.9
Middle East	3,890	3.5	4,027	4.0	137	3.5
Australia	2,198	2	3,669	3.7	1,471	66.9
America	3,611	3.3	1,028	1.0	(2,583)	(71.5)
Africa	74	0.1	11	-	(63)	(85.1)
Total	110,560	100.0	99,763	100.0	(10,797)	(9.8)

Geographic Segment Sales Analysis

H2 2016 vs H1 2016

Overall sales in the second half of 2016 ("H2 2016") decreased by S\$2.8 million or 5.5% as compared to the first half of 2016 ("H1 2016"). Sales to our two biggest markets ASEAN and North Asia continued to fall in the second half by S\$2.7 million or 7.9% and S\$0.8 million or 11.2% respectively. Sales to other markets such as Europe and America fell by a smaller magnitude.

On the other hand, Australia recorded strong growth in sales of S\$0.9 million or 68.3% while Middle East grew moderately by S\$0.1 million or 7.1% in H2 2016 vs-à-vis H1 2016.

H2 2016 vs H2 2015

Similarly, as compared to the second half of 2015 ("H2 2015"), the decline in sales were mainly led by ASEAN and North Asia while Australia, Middle East and South Asia recorded higher sales.

FY 2016 vs FY 2015

Sales for the full year of 2016 ("FY 2016") decreased by S\$10.8 million or 9.8% to S\$99.8 million as compared to full year of 2015 ("FY 2015") because of continued soft market conditions. The decrease was largely due to the decrease of ASEAN sales by S\$8.8 million or 11.7%. Sales to America and North Asia also decreased by S\$2.6 million or 71.5% and S\$1.2 million or 8.4% respectively.

This was partially compensated by strong growth in sales to Australia and South Asia of S\$1.5 million or 66.9% and S\$0.8 million or 15.9% respectively.



Business Activity Segment Sales Breakdown

	H2 2015	H1 2016	H2 2016	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2016 vs H1 2016	%	H2 2016 vs H2 2015	%
Distribution activity	51,202	49,636	46,642	(2,994)	(6.0)	(4,560)	(8.9)
Manufacturing activity	1,787	1,659	1,826	167	10.1	38	2.1
Total Sales	52,989	51,295	48,468	(2,827)	(5.5)	(4,521)	(8.5)

	FY 2015	FY 2016	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Distribution activity	107,094	96,278	(10,816)	(10.1)
Manufacturing activity	3,466	3,485	19	0.5
Total Sales	110,560	99,763	(10,797)	(9.8)

H2 2016 vs H1 2016

H2 2016 vs H2 2015

The decline in sales in H2 2016 was mainly from the decrease of distribution activities as compared to H1 2016 and H2 2015.

Revenue from contract manufacturing increased by S\$167,000 or 10.1% as compared to H1 2016 but was relatively stable as compared to H2 2015.

FY 2016 vs FY 2015

Year-on-year, sales from distribution segment decreased by S\$10.8 million or 10.1% due to softer market conditions while revenue from manufacturing segment was flat at S\$3.5 million.

8(a)(ii) Gross profit

H2 2016 vs H1 2016

H2 2016 vs H2 2015

With increased gross profit margin across most of the markets, gross profit margin for H2 2016 remained high at 25.7% as compared to 25.0% in H1 2016 and 23.7% in H2 2015.

However, the higher gross profit margin was inadequate to compensate for the decline in sales in H2 2016. Correspondingly, this caused a decrease in gross profit by S\$0.4 million or 3.1% vis-à-vis H1 2016 and S\$0.1 million or 1.1% as compared to H2 2015.

FY 2016 vs FY 2015

The higher gross profit margin for FY 2016 helped to partially compensate the drop in sales which resulted in achieving a gross profit of S\$25.3 million. This represent a marginal decrease of \$0.1 million or 0.4% as compared to FY 2015.

8(a)(iii) Other income

	H2 2015	H1 2016	H2 2016	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2016 vs H1 2016	%	H2 2016 vs H2 2015	%
Bad debt recovered	19	46	43	(4)	(7.6)	24	123.0
Change in fair value of financial assets at fair value through profit or loss							
- forward foreign exchange contracts	(43)	68	3	(65)	(95.2)	47	107.5
- listed equity security	10	35	5	(30)	(85.7)	(5)	(50.0)
Grant income	59	76	58	(18)	(24.2)	(1)	(2.0)
Gain on disposal of plant and equipment	-	41	(1)	(42)	(101.9)	(1)	(100.0)
Net foreign exchange gain	-	-	260	260	100.0	260	100.0

	FY 2015	FY 2016	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Bad debt recovered	70	89	19	27.1
Change in fair value of financial assets at fair value through profit or loss				
- forward foreign exchange contracts	32	71	39	120.9
- listed equity security	10	40	30	300.0
Gain on disposal of plant and equipment	-	40	40	100.0
Grant income	92	134	41	44.9
Net foreign exchange gain	-	260	260	100.0

H2 2016 vs H1 2016
H2 2016 vs H2 2015

Because of appreciation of the United States dollars against British Pound and Singapore Dollars in H2 2016, total net foreign exchange gain of S\$319,000 was recognised in H2 2016. Net foreign exchange loss of S\$59,000 previously recorded in H1 2016 under operating expenses was reversed and the balance S\$260,000 was recorded as other income in H2 2016.

This accounted mainly for the increase in other income of S\$116,000 in H2 2016 as compared to H1 2016.

Similarly, other income was higher by S\$334,000 vis-à-vis H2 2015 mainly due to net foreign exchange gain coupled with higher bad debt recovered and fair value gain from forward foreign exchange contracts.

FY 2016 vs FY 2015

Net foreign exchange gain, as opposed to net foreign exchange loss suffered last year, contributed substantially to the increase in other income of over S\$444,000 or 154.0% year-on-year. Other components such as fair value gain, gain on disposal of plant and equipment, grant income and bad debt recovered increased moderately as well in this year.

8(a)(iv) Operating expenses

H2 2016 vs H1 2016

H2 2016 vs H2 2015

	H2 2015	H1 2016	H2 2016	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2016 vs H1 2016	%	H2 2016 vs H2 2015	%
Change in fair value of financial liabilities at fair value through profit or loss							
- forward foreign exchange contracts	(9)	329	(311)	641	194.5	302	NM
Employee remuneration and related expenses	6,287	6,426	6,338	88	1.4	(51)	(0.8)
Impairment of trade receivables	36	385	651	(265)	(68.8)	(614)	NM
Net foreign exchange loss/(reversal)	(305)	59	(59)	118	200.0	(247)	(80.7)
Professional fees	346	376	304	72	19.1	42	12.1
Travelling and transport	540	398	555	(157)	(39.6)	(15)	(2.8)
Rental	1,393	1,226	1,260	(34)	(2.8)	133	9.6

NM : not meaningful

Based on the table above, there was a reversal of net foreign exchange loss of S\$59,000 and a reduction of fair value loss previously recorded in H2 2016 of S\$311,000. Professional fees decreased in H2 2016 as certain services such as corporate-related consultancy fees did not recur.

This was partially offset by (i) higher allowance for impairment of trade receivables from Venezuela because of uncertainties over the timing of collections which was governed by currency controls imposed by that country; and (ii) higher travelling and transport expenses. As a result, operating expenses for H2 2016 fell by S\$0.3 million or 2.5% to S\$11.0 million as compared to H1 2016.

Excluding the impact of foreign exchange, operating expenses in H2 2016 would have increased by S\$0.5 million due to higher allowance for impairment of trade receivables from Venezuela and travelling and transport expenses.

As compared to H2 2015, total operating expenses increased by S\$0.5 million or 4.4%. This was primarily due to higher impairment of trade receivables of S\$0.6 million offset by lower rental expenses of \$0.1 million.

FY 2016 vs FY 2015

Total operating expenses for FY 2016 amounted to S\$22.4 million which represented an increase of S\$0.8 million or 3.6% as compared to last year. Excluding the impact of foreign exchange, operating expenses would have increased by S\$0.9 million or 4.2%.

The main variances in our operating expenses were as follows:

	FY 2015	FY 2016	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Employee remuneration and related expenses	12,563	12,763	(200)	(1.6)
Impairment of trade receivables	104	1,036	(931)	(892.2)
Net foreign exchange loss	83	-	83	100.0
Professional fees	616	680	(64)	(10.4)
Rental	2,698	2,486	212	7.9



The increase in allowance for impairment of trade receivables of S\$0.9 million was for receivables from Venezuela because of uncertainties over the timing of collections as explained above.

The increase in employee remuneration of S\$0.2 million or 1.6% was not significant.

Better utilisation of warehouse space and reduction in inventory holding resulted in a decrease in rental expenses by S\$212,000 or 7.9%.

8(a)(v) Finance costs

Finance costs comprised the following:-

	H2 2015	H1 2016	H2 2016	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2016 vs H1 2016	%	H2 2016 vs H2 2015	%
Bills payables	137	127	126	1	0.7	11	7.8
Bank loans	173	164	142	22	13.2	31	18.0
Bank overdraft	-	-	1	(1)	(100.0)	(1)	(100.0)
Total finance costs	310	291	269	21	7.4	41	13.1

	FY 2015	FY 2016	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Bills payables	281	253	28	9.9
Bank loans	312	306	6	1.9
Bank overdraft	-	1	(1)	(100.0)
Total finance costs	593	560	33	5.5

H2 2016 vs H1 2016

H2 2016 vs H2 2015

Average borrowings decreased gradually from H2 2015 to H2 2016 because of strong cash generated from operating activities and dividends received from associated company. As a result, overall finance costs in H2 2016 fell as compared to both H1 2016 and H2 2015.

FY 2016 vs FY 2015

Finance costs decreased year-on-year by S\$33,000 or 5.5% as average trade borrowings had decreased over the year.

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

H2 2016 vs H1 2016

H2 2016 vs H2 2015

Share of profit of associated companies for H2 2016 was unchanged as compared to H1 2016.

As compared to H2 2015, share of profit decreased by S\$0.3 million or 52.3% was mainly due to (i) one-time valuation gain of S\$0.2 million on plant and equipment which resulted from the restructuring of one of our associated companies in H2 2015; and (ii) higher operating expenses incurred by the associated company partly due to its proposed listing in the stock exchange in Thailand.



FY 2016 vs FY 2015

Although sales from the distribution business segment from our associated company grew in FY2016, our share of profit decreased by S\$0.3 million or 37.7% as a result of higher operating expenses incurred by the associated company.

8(a)(vii) Profit before income tax

H2 2016 vs H1 2016

Net profit before tax was similar to H1 2016 as the positive net impact arising from foreign exchange and fair value of forward exchange contracts of S\$0.9 million was adequate to offset the decrease in gross profit of S\$0.4 million and higher operating expenses (excluding net foreign exchange and fair value of forward exchange contracts) and finance costs of S\$0.5 million.

H2 2016 vs H2 2015

Net profit before tax decreased by S\$0.5 million or 22.5% as a result of higher operating expenses (excluding net foreign exchange and fair value of forward exchange contracts) and finance costs of S\$0.5 million, lower share of associated profit of S\$0.3 million and lower gross profit of S\$0.1 million.

This was partially compensated by higher overall net gain from foreign exchange and fair value of forward exchange contracts of S\$0.4 million.

FY 2016 vs FY 2015

Although gross profit fell marginally by \$0.1 million, net profit before tax decreased by S\$0.7 million or 16.9% as a result of higher total operating expenses and finance cost of S\$0.7 million and lower share of profit of associated companies of S\$0.3 million. This was partially offset by higher other income of S\$0.4 million.

Similarly, EBITDA also decreased by S\$0.8 million or 12.6% year-on-year to S\$5.6 million in FY 2016.

8(a)(viii) Net profit

H2 2016 vs H1 2016

H2 2016 vs H2 2015

As lesser dividends from associated company were received in H2 2016 as compared to H1 2016, withholding taxes paid were correspondingly decreased. Hence, despite net profit before tax being the same, net profit after tax for H2 2016 increased by S\$0.4 million or 42.3%.

On the other hand, the decrease in net profit after tax in H2 2016 vis-à-vis H2 2015 was consistent with the decrease in profitability noted above.

FY 2016 vs FY 2015

Year-on-year, the increase in income tax expense of S\$0.3 million or 28.4% was mainly due to higher withholding taxes paid following an increase in dividends received from associated company of S\$3.1 million. Net profit after tax thus fell by a bigger magnitude of S\$1.1 million or 32.1% as compared to FY 2015.

8(a)(ix) Total comprehensive income

H2 2016 vs H1 2016

H2 2016 vs H2 2015

As compared to S\$0.7 million and S\$0.8 million net exchange losses on translation recorded in H1 2016 and H2 2015 respectively, translation losses in H2 2016 was minimal due to a mix of a stronger United States Dollar and a weaker Malaysian Ringgit.



As a result, comprehensive income for H2 2016 increased by S\$1.0 million or 418.9% over H1 2016 and S\$0.3 million or 29.1% vis-à-vis H2 2015.

FY 2016 vs FY 2015

Year-on-year, net exchange losses on translation decreased by S\$0.6 million or 43.7%. Thus, the fall in comprehensive income of S\$0.5 million or 24.9% was much lower than the decline in net profit after tax of S\$1.1 million.

8(b) BALANCE SHEET ANALYSIS

Balance Sheet Highlights	As at		Variance
	31 December 2015	31 December 2016	31 December 2016 vs 31 December 2015 Fav/(Unfav)
Cash (S\$mil)	11.1	11.6	0.5
Borrowings (S\$mil)	18.3	15.3	2.9
Current ratio (times)	2.07	2.30	0.23
Gearing ratio (times)	0.43	0.36	0.07
Net assets per share attributable to equity holders of the Company (cents)	31.65	31.50	(0.15)
Inventory turnover (days)	101	116	(15)
Trade receivables turnover (days)	93	94	(1)

Property, plant and equipment

Property, plant and equipment decreased by S\$1.0 million or 8.2% mainly due to depreciation charge of S\$1.5 million offset by capital expenditure of S\$0.5 million during the year.

Investment in associated companies

The decrease in the carrying value of our associated companies by S\$2.1 million or 39.9% was mainly due to dividend return of S\$5.4 million offset by an increase in investment in associated company of S\$2.7 million and positive contribution from our associated companies of S\$0.6 million for the year.

Trade receivables and other receivables

Net third party trade receivables decreased by S\$1.6 million or 6.1% from S\$25.5 million as at 31 December 2015 to S\$23.9 million as at 31 December 2016 partly due to impairment of trade receivables made in FY 2016 of \$1.0 million as explained in above section. Besides higher impairment made, slower sales in FY 2016 also contributed to the decline. Turnover days for FY 2016 increased marginally to 94 days from 93 days in FY 2015.

Inventories

Inventory decreased marginally by S\$0.6 million or 3.0% to S\$20.4 million as at 31 December 2016 from S\$21.0 million as at end of last year. This was in line with slower sales in FY 2016 which had led to the increase in inventory turnover days increased to 116 days as compared to 101 days in the previous year.

Other current assets

Other current assets of S\$2.2 million increased by S\$0.3 million or 15.7% as compared to S\$1.9 million as at 31 December 2015. This was mainly due to higher advance payments to suppliers for inventory purchase offset partially by lower prepayment of taxes.

Financial assets and financial liabilities at fair value through profit or loss

The increase in financial assets at fair value through profit or loss was due to positive fair value gain of S\$40,000 in listed equity and positive fair value changes in forward contracts of S\$35,000.

Financial liabilities at fair value through profit or loss were not significant as at 31 December 2016 and 31 December 2015.

Trade and other payables

Corresponding to the decrease in inventory, total trade payables declined by S\$0.9 million or 12.6% from S\$7.2 million as at 31 December 2015 to S\$6.3 million at end of current year.

Other payables in aggregate decreased by S\$0.2 million from S\$6.9 million as at 31 December 2015 to S\$6.7 million as at 31 December 2016. Short term loan from director decreased by S\$0.4 million as repayments were made throughout the year while advance payments from customers, mainly from South America customers, increased by S\$0.2 million.



Borrowings

Total borrowings decreased by S\$2.9 million or 16.1% as strong cash generated from operating activities and dividends received were utilized to reduce short and long term bank loans of S\$2.1 million and S\$0.7 million respectively. Consequentially, our gearing ratio was reduced to 0.36.

Net asset value

Net asset value per share decreased from 31.65 cents as at 31 December 2015 to 31.50 cents as at 31 December 2016 primarily due to total comprehensive income for the current year of S\$1.4 million offset by dividend payment to shareholders of S\$1.6 million.

8(c) CASH FLOW

Overall cash and cash equivalents increased by S\$0.5 million from S\$11.1 million as at 31 December 2015 to S\$11.5 million as at 31 December 2016 as a result of strong cash generated from operations of S\$3.5 million and dividends received of S\$5.4 million from associated company.

All cash requirements for FY 2016 such as subscription of additional shares in associated company, dividends obligation and capital expenditure were adequately met. Furthermore, cash was also used to reduce bank term loans of S\$2.9 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 2017 ("FY 2017") are as follows:

The global economy

Although the economy of the United States of America ("US") remains on track, political uncertainties, fear of deceleration in China's growth and concern over the fragility of the Euro zone, especially after Brexit, pose downside risks to the global economy. If these risk factors do not subside, it may 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, we recognize that 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 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 2017

In our past result announcements in 2016, we shared with shareholders and investors our concern over the state of the global economy and hence painted a more muted outlook for our business.

The global economy has indeed remained sluggish. In addition, currency controls led to a cutback in our sales to Venezuela. These factors impacted our results in 2016.

Going into 2017, the world is still grappling with questions over which direction the global economy will go. While there seems to be a beacon of hope in US economy, political uncertainties, trade protectionism, Brexit and concerns over China's economic growth will cloud the global economy.

In the face of persistent uncertainties in global economic environment, it is difficult to provide any guidance to our performance for 2017.

Even under such circumstances, our current efforts to nurture long term sustainable values through a sound business model, financial discipline and operational excellence will not waver. More resources will be channelled towards building new pillars of growth and developing strong relationships with key business partners. We will continue to leverage on our extensive network in Asia to capitalize on the long term growth in one of the largest markets for chemicals. At the same time we will enhance financial strength to remain resilient in any adversity as well as review our operations for productivity growth and cost efficiency.

On a separate note, our associated company in Thailand will make its debut listing on the Stock Exchange of Thailand – Market for Alternative Investment on 23 February 2017. The funds raised from its initial public offer will enable it to execute its growth strategy and establish a bigger foothold in the chemical industry. It will remain an associated company of Megachem Limited after its listing.



11. Dividend

(a) Current financial year reported on

Any dividend declared (recommended) for the current financial year ended 31 December 2016? 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 2016 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	0.5
Tax rate	Exempt	Exempt

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the immediately preceding financial year ended 31 December 2015? Yes

Name of dividend	Final	Interim
Dividend type	Cash	Cash
Dividend amount per share (in cents)	0.7	0.3
Tax rate	Exempt	Exempt

(c) Date payable

The final tax exempt dividend of 0.7 cent per share in respect of the financial year ended 31 December 2016, subject to approval by the shareholders at the next Annual General Meeting to be convened, will be paid on 31 May 2017.

(d) Books closure date

The Transfer Books and Register of Members of the Company will be closed on 12 May 2017 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 11 May 2017 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 11 May 2017 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 2017.



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 2016							
Sales							
Total sales by segment	50,325	11,971	10,582	15,280	25,473	-	113,631
Inter-segment sales	(6,673)	(412)	(95)	(2,243)	(4,445)	-	(13,868)
	<u>43,652</u>	<u>11,559</u>	<u>10,487</u>	<u>13,037</u>	<u>21,028</u>	<u>-</u>	<u>99,763</u>
Segment result							
Interest income - bank	1,399	1,146	1,299	(479)	199	-	3,564
Finance costs						81	81
Share of profit of associated companies						(560)	(560)
Profit before income tax						559	559
Income tax expense						80	3,644
						(1,414)	(1,414)
Net profit	<u>1,399</u>	<u>1,146</u>	<u>1,299</u>	<u>(479)</u>	<u>199</u>	<u>(1,334)</u>	<u>2,230</u>
Other segment items							
Capital expenditure	240	180	48	-	44	-	512
Depreciation	1,255	100	30	13	62	-	1,460
Segment assets							
Associated companies	30,554	10,217	6,746	7,016	12,557	-	67,090
Interest earning cash balances						3,126	3,126
						2,993	2,993
Consolidated total assets	<u>30,554</u>	<u>10,217</u>	<u>6,746</u>	<u>7,016</u>	<u>12,557</u>	<u>6,119</u>	<u>73,209</u>
Segment liabilities							
Borrowings	(5,224)	(520)	(704)	(3,668)	(2,907)	-	(13,023)
Current income tax liabilities						(15,326)	(15,326)
						(63)	(63)
Consolidated total liabilities	<u>(5,224)</u>	<u>(520)</u>	<u>(704)</u>	<u>(3,668)</u>	<u>(2,907)</u>	<u>(15,389)</u>	<u>(28,412)</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 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							
	1,948	851	960	265	(8)	-	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>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							
	32,279	11,656	7,324	9,008	11,131	-	71,398
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							
	(2,791)	(808)	(3,426)	(4,274)	(2,836)	-	(14,135)
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>



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 2016				
Sales				
Total sales by segment	109,715	3,916	-	113,631
Inter-segment sales	(13,437)	(431)	-	(13,868)
	<u>96,278</u>	<u>3,485</u>	<u>-</u>	<u>99,763</u>
Segment result				
	3,319	245	-	3,564
Interest income - bank			81	81
Finance costs			(560)	(560)
Share of profit of associated companies			<u>559</u>	<u>559</u>
Profit before income tax			80	3,644
Income tax expense			(1,414)	(1,414)
Net profit	<u>3,319</u>	<u>245</u>	<u>(1,334)</u>	<u>2,230</u>
Other segment items				
Capital expenditure	463	49	-	512
Depreciation	575	885	-	1,460
	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets				
	59,770	7,320	-	67,090
Associated companies			3,126	3,126
Interest earning cash balances			2,993	2,993
Consolidated total assets	<u>59,770</u>	<u>7,320</u>	<u>6,119</u>	<u>73,209</u>
Segment liabilities				
	(12,572)	(451)	-	(13,023)
Borrowings			(15,326)	(15,326)
Current income tax liabilities			(63)	(63)
Consolidated total liabilities	<u>(12,572)</u>	<u>(451)</u>	<u>(15,389)</u>	<u>(28,412)</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 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				
Interest income - bank			65	65
Finance costs			(593)	(593)
Share of profit of associated companies			898	898
Profit before income tax	3,898	118	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
Segment assets				
Associated companies	63,071	8,327	5,199	71,398
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				
Borrowings	(13,713)	(422)	(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>

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 2016 S\$'000	Full year ended 31 December 2015 S\$'000	Variance Increase/ (decrease)	
			S\$'000	%
<u>Sales</u>				
(a) Sales for the first half ("H1")	51,295	57,571	(6,276)	(10.9%)
(b) Sales for the second half ("H2')	48,468	52,989	(4,521)	(8.5%)
<i>(Decrease) H2 from H1</i>	(2,827)	<i>(4,582)</i>		
<i>(Decrease) H2 from H1 (in %)</i>	(5.5%)	<i>(8.0%)</i>		
<u>Profit after tax</u>				
(c) Profit after tax and before attributing to non-controlling interests for H1	921	1,492	(572)	(38.3%)
(d) Profit after tax and before attributing to non-controlling interests for H2	1,309	1,792	(482)	(26.9%)
<i>Increase H2 from H1</i>	389	<i>300</i>		
<i>Increase H2 from H1 (in %)</i>	42.3%	<i>20.1%</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 31 December 2016 S\$	Full year ended 31 December 2015 S\$
Total annual dividend paid		
Ordinary	1,599,600	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 2016 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 2016 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 1)
Sales of products to Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	Nil (Note 2)	Nil (Note 2)
Purchase of products from Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	(Note 3)	S\$104,265 (Note 3)

Name of interested person	Aggregate value of all interested person transactions during the financial year ended 31 December 2016 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 2016 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 4)	Nil (Note 4)
Short term loan from Tan Bock Chia, a director of Megachem Group	(Note 5)	Nil (Note 5)

Note 1 : The Group entered into interested person transactions amounting in aggregate to S\$25,991 and each transaction was below S\$100,000 which fell outside the scope of Rule 920. There was no prior shareholders' mandate obtained for these interested person transactions.

Note 2 : Before shareholders' mandate was approved in the extraordinary general meeting held on 15 April 2016, the Group had no sales to Chori Co., Ltd and its related corporations.

After 15 April 2016, the Group entered into sales transactions with Chori Co., Ltd amounting in aggregate to S\$2,753 (including transactions less than S\$100,000) and these transactions were conducted under the shareholders' mandate.

Note 3 : Before shareholders' mandate was approved in the extraordinary general meeting held on 15 April 2016, the Group entered into purchase transactions with Chori Co., Ltd amounting in aggregate to S\$88,142 and each purchase transaction was below S\$100,000 which fell outside of the scope of Rule 920.

After 15 April 2016, the Group entered into purchase transactions with Chori Co., Ltd amounting in aggregate to S\$220,374 (including transactions less than S\$100,000) and these transactions were conducted under the shareholders' mandate. S\$104,265 as disclosed in the table on Page 26 has excluded transactions below S\$100,000.

Note 4 : The Group entered into purchase transactions amounting to S\$67,024 and each transaction was below S\$100,000 which fell outside the scope of Rule 920. There was no prior shareholders' mandate obtained for these interested person transactions.

Note 5 : The short term loan of S\$291,480 received by the Group is interest-free. The loan remained outstanding as at date of announcement.

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	50	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 2016, 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
Tay Kin Bee	Director
Toshiyuki Yokogawa	Director

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

The Company had procured 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 behalf of the Board of Directors

Chew Choon Tee Executive Chairman 21 February 2017	Tan Bock Chia Executive Director
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