MEGACHEM LIMITED

Un-audited Financial Statements and
Dividend Announcement

For The Full Year Ended
31 December 2009

MegaChem®

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UNAUDITED RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2009

The directors of Megachem Limited are pleased to advise the following unaudited results of the Group for the full year ended 31 December 2009.

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 2009

	For the full year ended 31 December 2009	For the full year ended 31 December 2008	Variance Favourable/(Unfavourable)	
	S$	S$	S$'000	%
Sales	**70,622,743**	77,664,443	(7,042)	(9.1%)
Cost of sales	**(55,316,696)**	(61,878,928)	6,562	10.6%
Gross profit	**15,306,047**	15,785,515	(479)	(3.0%)
Other operating income	**500,825**	501,555	(1)	(0.1%)
Distribution costs	**(7,743,875)**	(7,798,321)	54	0.7%
Adminstrative expenses	**(3,422,716)**	(3,279,424)	(143)	(4.4%)
Other operating expenses	**(1,632,359)**	(2,269,727)	637	28.1%
Finance costs	**(236,906)**	(454,617)	218	47.9%
Share of profit of associated company	**678,531**	541,114	137	25.4%
Profit before income tax	**3,449,547**	3,026,095	423	14.0%
Income tax expense	**(743,617)**	(686,663)	(57)	(8.3%)
Net profit	**2,705,930**	2,339,432	366	15.7%
Other comprehensive income:				
Exchange differences arising on consolidation	**47,391**	(972,807)	1,020	104.9%
Total comprehensive income	**2,753,321**	1,366,625	1,387	101.5%
Net profit attributable to:				
Equity holders of the Company	**2,635,813**	2,207,801	428	19.4%
Minority interests	**70,117**	131,631	(62)	(46.7%)
	2,705,930	2,339,432	366	15.7%
Total comprehensive income attributable to:				
Equity holders of the Company	**2,669,155**	1,303,347	1,366	104.8%
Minority interests	**84,166**	63,278	21	33.0%
	2,753,321	1,366,625	1,387	101.5%
Earnings per share of profit attributable to equity holders of the Company during the financial year - basic and diluted	**1.98 cents**	1.66 cents		

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

	For the full year ended 31 December 2009 S$	For the full year ended 31 December 2008 S$
<u>Other operating income</u>		
Bad debt recovered	127,547	76,400
Change in fair value of financial assets held for trading	35,000	-
Dividend income	2,463	2,439
Gain on disposal of property, plant and equipment	62,516	52,129
Grant income	220,951	-
Interest income from banks	20,189	60,280
Management fees	12,587	13,167
Net foreign exchange gain	12,349	274,137
Rental income	7,223	23,003
	500,825	501,555
Change in fair value of financial assets held for trading	35,000	(117,500)
Change in fair value of financial liabilities held for trading	(29,157)	(322,568)
Depreciation and amortisation	(580,096)	(559,824)
Interest on borrowings	(236,906)	(454,617)
Impairment of trade receivables	(232,735)	(222,035)
Write off of inventory	(103,049)	(343,408)
Adjustment for (under)/over provision for tax in respect of prior financial years	(57,028)	24,412

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

BALANCE SHEETS AS AT 31 DECEMBER 2009

	Group		Company	
	31 December 2009 S$	31 December 2008 S$	**31 December 2009 S$**	31 December 2008 S$
ASSETS				
Current assets				
Cash and bank balances	**6,577,618**	6,288,973	**1,917,538**	1,596,224
Trade and other receivables	**21,137,927**	19,174,986	**14,058,391**	12,393,933
Inventories	**14,107,596**	15,241,804	**8,876,292**	9,514,709
Financial assets held for trading	**100,000**	65,000	**100,000**	65,000
Other current assets	**1,880,278**	845,304	**729,973**	301,847
	43,803,419	41,616,067	**25,682,194**	23,871,713
Non-current assets				
Transferable club memberships	**32,512**	32,925	**4,001**	4,001
Investment in associated company	**3,184,024**	2,527,152	**99,949**	99,949
Investments in subsidiaries	**-**	-	**4,046,864**	3,734,255
Investment property	**132,704**	138,528	**-**	-
Property, plant and equipment	**3,442,600**	3,645,809	**1,943,765**	1,925,623
	6,791,840	6,344,414	**6,094,579**	5,763,828
Total assets	**50,595,259**	47,960,481	**31,776,773**	29,635,541
LIABILITIES				
Current liabilities				
Trade and other payables	**8,844,975**	6,605,363	**4,651,440**	3,444,764
Current tax liabilities	**168,496**	126,455	**63,545**	66,450
Borrowings	**6,696,535**	8,234,249	**6,467,539**	6,552,270
Financial liabilities held for trading	**29,157**	322,568	**9,253**	53,968
	15,739,163	15,288,635	**11,191,777**	10,117,452
Non-current liabilities				
Deferred tax liabilities	**31,500**	31,819	**-**	-
Borrowings	**53,985**	64,256	**-**	-
	85,485	96,075	**-**	-
Total liabilities	**15,824,648**	15,384,710	**11,191,777**	10,117,452
NET ASSETS	**34,770,611**	32,575,771	**20,584,996**	19,518,089
EQUITY				
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	**(1,335,858)**	(1,369,200)	**-**	-
Retained earnings	**18,765,369**	16,662,756	**4,692,968**	3,626,061
	33,321,539	31,185,584	**20,584,996**	19,518,089
Minority interests	**1,449,072**	1,390,187	**-**	-
Total equity	**34,770,611**	32,575,771	**20,584,996**	19,518,089

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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 2009		As at 31 December 2008	
Secured	Unsecured	Secured	Unsecured
S$228,996	S$6,467,539	S$19,373	S$8,214,876

Amount repayable after one year

As at 31 December 2009		As at 31 December 2008	
Secured	Unsecured	Secured	Unsecured
S$53,985	-	S$64,256	-

Details of collateral

The secured borrowings were collateralized on:

i. fixed and floating charges over all the assets and undertaking of a subsidiary, including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future;
ii. motor vehicles of subsidiaries.

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

CASH FLOW STATEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2009

	For the full year ended 31 December 2009 S$	For the full year ended 31 December 2008 S$
Cash flows from operating activities		
Net profit	2,705,930	2,339,432
Adjustments for:		
Amortisation and depreciation	580,096	559,824
Change in fair value of financial assets held for trading	(35,000)	117,500
Dividend income	(2,463)	(2,439)
Gain on disposal of property, plant and equipment	(62,516)	(52,129)
Share of profit of associated company	(678,531)	(541,114)
Income tax expense	743,617	686,663
Interest income	(20,189)	(60,280)
Interest expense	236,906	454,617
Operating cash flow before working capital changes	3,467,850	3,502,074
Change in operating assets and liabiltiies		
Trade and other receivables	(3,284,121)	440,316
Inventories	1,134,208	(883,689)
Financial assets held for trading	-	-
Trade and other payables	2,209,305	(1,901,291)
Financial liabilities held for trading	(293,411)	322,568
Exchange differences	115,629	(601,759)
Cash generated from operations	3,349,460	878,219
Income tax paid	(748,033)	(754,950)
Interest received	20,189	60,280
Net cash provided by operating activities	2,621,616	183,549
Cash flows from investing activities		
Dividend received	383,784	433,988
Purchase of property, plant and equipment	(396,487)	(635,541)
Proceeds from sale of property, plant and equipment	102,696	52,742
Subscription for additional shares in associated company	-	(43,109)
Net cash provided by/(used in) investing activities	89,993	(191,920)
Cash flows from financing activities		
Dividends paid	(533,200)	(399,900)
Dividends paid by subsidiary to minority shareholders	(25,281)	-
(Repayment of)/proceeds from borrowings	(1,358,815)	2,364,458
Repayment of finance lease liability	(13,937)	(43,047)
Interest paid	(206,599)	(481,929)
Net cash (used in)/provided by financing activities	(2,137,832)	1,439,582
Net increase in cash and cash equivalents held	573,777	1,431,211
Cash and cash equivalents at beginning of the year	6,018,091	4,793,258
Effects of exchange rate changes on cash and cash equivalents	(14,250)	(206,378)
Cash and cash equivalents at end of the financial year	6,577,618	6,018,091
Cash and cash equivalents comprised the followings:		
Cash and bank balances	6,577,618	6,288,973
Less: bank overdraft	-	(270,882)
	6,577,618	6,018,091

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 2009

	Attributable to equity holders of the Company					
The Group	Share capital S$	Other reserves S$	Retained earnings S$	Total S$	Minority interests S$	Total equity S$
Balance at 1 January 2009	15,892,028	(1,369,200)	16,662,756	31,185,584	1,390,187	32,575,771
Total comprehensive income for the financial year	-	33,342	2,635,813	2,669,155	84,166	2,753,321
Final dividend relating to FY2008 paid	-	-	(533,200)	(533,200)	(25,281)	(558,481)
Balance at 31 December 2009	15,892,028	(1,335,858)	18,765,369	33,321,539	1,449,072	34,770,611
Balance at 1 January 2008	15,892,028	(464,746)	14,854,855	30,282,137	1,326,909	31,609,046
Total comprehensive income for the financial year	-	(904,454)	2,207,801	1,303,347	63,278	1,366,625
Final dividend relating to FY2007 paid	-	-	(399,900)	(399,900)	-	(399,900)
Balance at 31 December 2008	15,892,028	(1,369,200)	16,662,756	31,185,584	1,390,187	32,575,771

The Company	Share capital S$	Retained earnings S$	Total equity S$
Balance at 1 January 2009	15,892,028	3,626,061	19,518,089
Total comprehensive income for the financial year	-	1,600,107	1,600,107
Final dividend relating to FY2008 paid	-	(533,200)	(533,200)
Balance at 31 December 2009	15,892,028	4,692,968	20,584,996
Balance at 1 January 2008	15,892,028	2,554,272	18,446,300
Total comprehensive income for the financial year	-	1,471,689	1,471,689
Final dividend relating to FY2007 paid	-	(399,900)	(399,900)
Balance at 31 December 2008	15,892,028	3,626,061	19,518,089

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 year.

The total number of issued ordinary shares, excluding treasury shares, as at the end of 31 December 2009 and 31 December 2008 were 133,300,000.

There were no unissued shares of the Company under option and treasury shares as at the end of 31 December 2009 and 31 December 2008.

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.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current 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)

NIL

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 year ended 31 December 2008.

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 1st January 2009, the Company adopted the new or revised FRS and Interpretations to FRS (INT FRS) that are mandatory for application from that date. Changes to the Company'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.

Earnings per ordinary shares (in cents)	**For the full year ended 31 December 2009**	For the full year ended 31 December 2008
a) Based on weighted average number of ordinary shares on issue	**1.98**	1.66
b) On a fully diluted basis	**1.98**	1.66
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.

	Group		**Company**	
	31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
Net asset value per ordinary share based on issued share capital (cents)	**25.00**	23.40	**15.44**	14.64
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	H1 2008	H2 2008	H1 2009	H2 2009	Variance H2 09 vs H1 09 Fav/(Unfav)	%	Variance H2 09 vs H2 08 Fav/(Unfav)	%
Sales (S$'mil)	40.9	36.8	31.9	38.7	6.8	21.4%	1.9	5.2%
Gross profit (S$'mil)	7.9	7.9	6.8	8.5	1.7	25.5%	0.6	8.1%
Gross profit margin	19.3%	21.4%	21.3%	22.0%	0.7%	na	0.6%	na
Total expenses (S$'mil)	6.6	7.2	6.2	6.8	(0.6)	(9.1%)	0.4	5.1%
Other operating income (S$'000)	241	260	366	135	(231)	(63.1%)	(125)	(48.2%)
Share of associated profit (S$'000)	460	81	225	454	229	101.7%	373	460.2%
Net profit before tax (S$'mil)	2.0	1.1	1.1	2.3	1.2	101.6%	1.2	117.6%
Net profit after tax (S$'mil)	1.6	0.8	0.8	1.9	1.1	131.2%	1.1	150.5%
Earnings per share attributable to the equity holders of the Company (cents)	1.15	0.51	0.59	1.39	0.80	136.5%	0.88	174.8%
Annualised return on equity (ROE)	10.0%	4.3%	5.0%	11.1%	6.1%	na	6.8%	na

Profitability Highlights	FY 2008	FY 2009	Variance FY 09 vs FY 08 Fav/(Unfav)	%
Sales (S$'mil)	77.7	70.6	(7.0)	(9.1%)
Gross profit (S$'mil)	15.8	15.3	(0.5)	(3.0%)
Gross profit margin	20.3%	21.7%	1.4%	na
Total expenses (S$'mil)	13.8	13.0	0.8	5.6%
Other operating income (S$'000)	502	501	(1)	(0.1%)
Share of associated profit (S$'000)	541	679	137	25.4%
Net profit before tax (S$'mil)	3.0	3.4	0.4	14.0%
Net profit after tax (S$'mil)	2.3	2.7	0.4	15.7%
Earnings per share attributable to the equity holders of the Company (cents)	1.66	1.98	0.32	19.3%
Annualised return on equity (ROE)	7.1%	7.9%	0.8%	na

Balance Sheet Highlights	FY 2008	FY 2009	Variance FY 09 vs FY 08 Fav/(Unfav)	%
Current ratio	2.72	2.78	0.06	na
Gearing ratio	0.27	0.20	0.07	na
Net tangible assets per share (cents)	23.4	25.0	1.60	na
Inventory turnover (days)	98	103	(5)	na
Trade receivables turnover (days)	91	106	(15)	na

8(a) PROFITABILITY ANALYSIS

8(a)(i) Sales

	For the half year ended 30 June 2009		For the half year ended 31 December 2009		Variance	Fav/(Unfav)
	S$'000	%	S$'000	%	S$'000	%
ASEAN	22,342	70.0	28,057	72.4	5,715	25.6
Europe	1,391	4.4	1,684	4.4	293	21.1
North Asia	2,014	6.3	2,611	6.7	596	29.6
North and South America	1,617	5.1	1,738	4.5	121	7.5
South Asia	1,003	3.1	1,303	3.4	300	30.0
Australia	1,207	3.8	1,049	2.7	(158)	(13.1)
Middle East	2,220	7.0	2,277	5.9	57	2.6
Africa	110	0.3	-	-	(110)	(100.0)
Total	31,904	100.0	38,719	100.0	6,815	21.4

	For the full year ended 31 December 2009		For the full year ended 31 December 2008		Variance	Fav/(Unfav)
	S$'000	**%**	S$'000	%	S$'000	%
ASEAN	**50,399**	**71.4**	55,267	71.2	(4,869)	(8.8)
Europe	**3,075**	**4.3**	4,508	5.8	(1,433)	(31.8)
North Asia	**4,625**	**6.5**	4,154	5.4	471	11.3
North and South America	**3,355**	**4.8**	5,612	7.2	(2,257)	(40.2)
South Asia	**2,306**	**3.3**	2,247	2.9	59	2.6
Australia	**2,256**	**3.2**	1,730	2.2	526	30.4
Middle East	**4,497**	**6.4**	4,136	5.3	361	8.7
Africa	**110**	**0.1**	10	-	100	100
Total	**70,623**	**100.0**	77,664	100.0	(7,041)	(9.1)

Following a challenging first half, sales for the second half of 2009 rebounded strongly to S$38.7 million. This pick up in sales after two consecutive half yearly dip since first half of 2008 represented an almost 21.4% or S$6.8 million jump over the first half of 2009 as well as a marginal increase of 5.2% or S$1.9 million as compared to second half of 2008. As a result of a better performance in the second half of 2009, the fall in full year sales was reduced to S$7.0 million or 9.1%. Excluding sales to our associate in Thailand, the decline in sales year-on-year would be lower at S$4.9 million or 6.6%.

During the second half of 2009, Asia took the lead in emerging from the economic downturn. This was evident in returned demand for our Asia markets such as ASEAN, China and India. As a result, year-on-year dip for ASEAN market narrowed to 8.8% as compared to 24.2% reported for the first half of 2009. Both North Asia and South Asia markets were able to turn around from decline in sales for the first half of 2009 to register year-on-year growth. Our Australia and Middle East markets managed to stay resilient amid the economic downturn with year-on-year increase in sales of S$0.5 million and S$0.4 million respectively.

Both Europe and America markets were not only more directly affected by the global economic downturn, they also lagged behind in recovery. The America markets, mainly in Venezuela, contracted by S$2.3 million or 40.2% annually while the Europe markets declined by S$1.4 million or 31.8%, partially attributed to the depreciation of British sterling pound of more than 10% year on year.

Besides our core distribution business, orders for custom-blending services had also resumed in the second half of 2009 to pre-crisis level, resulting in marginal decline of S$0.1 million or 4.3% in year-on-year sales from manufacturing operations.

8(a)(ii) Gross profit

Our gross profit margin remained relatively stable for the full year of 2009 despite price pressures for a large part of the first half of 2009. Prices began to stabilise in the second half of 2009 which allowed us to register higher gross profit margin in the second half. For the full year, gross profit margin improved by 1.4%-points partially due to lower sales to associated company as such sales were at a lower margin.

8(a)(iii) Other operating income

Other operating income totalled S$501,000 for the current financial year relatively unchanged from 2008. This includes grant income of S$221,000, mainly from job credits, and fair value gain from marketable securities of S$35,000. There was also higher bad debt recovered of S$51,000, mainly from China and Malaysia customers.

This was offset by lower foreign exchange gain of S$262,000, interest income of S$40,000 and rental income of S$16,000.

8(a)(iv) Operating expenses

Total distribution, administrative and other operating expenses amounted to S$12.8 million for the full year 2009 which was a decrease of S$0.5 million or 4.1% as compared to the last financial year.

The main variances in our operating expenses were as follows:

	For the full year ended 31 December 2009 S$'000	For the full year ended 31 December 2008 S$'000	Variance Fav/(Unfav) S$'000	%
Advertising and entertainment	**171**	461	290	62.9%
Changes in fair value of financial assets	**-**	118	118	100%
Changes in fair value of financial liabilities	**29**	322	293	91.0%
Depreciation of property, plant and equipment	**580**	560	(20)	(3.6%)
Employee remuneration and related expenses	**7,546**	6,960	(586)	(8.4%)
Impairment of doubtful trade receivables	**233**	222	(11)	(4.8%)
Professional fees	**386**	468	82	17.9%
Travelling and transport expenses	**562**	741	178	24.1%
Rental for operating leases	**1,174**	1,170	(4)	(0.4%)

Savings in advertising and entertainment was partially due to one-off expense incurred in the last financial year for our anniversary celebration as well as measures to contain such costs. Other cost containment efforts such as cut back on travelling and professional fees had also resulted in significant savings.

Financial liabilities related to out-of-money forward foreign exchange contracts outstanding as at 31 December 2009. A lower fair value loss in 2009 was in line with the less volatile foreign exchange rate market towards end of 2009 as compared to the same period last year. Financial assets, consisting of our investment in one of our suppliers, had also recovered from the last financial year following recovery in its share price.

The overall increase in employee remuneration expense incurred mainly in the second half of 2009 as staff rewards were tied to better performance. Headcount had also increased as hiring was slowly stepped up especially in our newer operations in India and Vietnam.

The impairment for doubtful trade receivables in 2009 was mainly for customers in Philippines, Indonesia and Vietnam. Despite the crisis, we did not experience significant increase in bad debt. On the contrary, we managed to recover some of the bad debts.

8(a)(v) Finance costs

Finance costs comprised the following:-

	For the full year ended 31 December 2009 S$'000	For the full year ended 31 December 2008 S$'000
Finance costs		
Bills payable to banks	**192**	354
Short term loan	**37**	100
Hire purchase	**8**	-
Others	**-**	1
	237	455

Finance costs decreased by S$0.2 million or 47.9% due to lower borrowings as well as lower market interest rates environment.

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

In line with the recovery in ASEAN, our share of associated company's profit for second half of 2009 of S$0.5 million more than doubled first half and also recoup the fall recorded in the first half. As a result, 2009 full year's profit was S$0.1 million or 25.4% higher than last financial year.

8(a)(vii) Profit before income tax

Due to higher gross profit margin, better performance of our associated company and the reduction in fair value loss and other cost savings for the full year, our profit before income tax for 2009 increased by S$0.4 million or 14.0% to S$3.4 million.

8(a)(viii) Net profit for the year attributable to the equity holders of the Company

Consequently, profit for the year attributable to the equity holders of the Company increased by S$0.4 million or 19.4%.

8(b) BALANCE SHEET ANALYSIS

Third party trade receivables increased from S$19.0 million as at 31 December 2008 to S$21.0 million as at end of current financial year in line with higher sales recorded in the second half of 2009 as compared to 2008. Trade receivable turnover days for 2009 worsen to 106 days (2008 : 91 days) due to slower collection in the first half of 2009. Allowance for impairment of doubtful trade receivables for 2009 totaled S$233,000 primarily for customer in Philippines, Indonesia and Vietnam.

Although inventory turnover days worsened slightly to 103 days (2008 : 98 days), higher sales in the second half of the year led to a decrease in our inventory from S$15.2 million as at 31 December 2008 to S$14.1 million as at 31 December 2009.

Cash and bank balances and liquidity position remained relatively stable as compared to the last financial year end. Efforts to conserve our cash flow from reduction in inventory purchase in the first half of the year enable us to significantly repay our borrowings. Even though purchases of inventory increased following improved market conditions, borrowings as at 31 December 2009 were S$1.5 million lower. Our gearing ratio remained low at 0.20 and our net borrowing position of S$2.0 million as at 31 December 2008 was reduced to S$0.2 million as at 31 December 2009.

The S$1.0 million increase in other current assets, which consist mainly of advance payments to suppliers, from S$0.8 million as at 31 December 2008 to S$1.9 million as at 31 December 2009 was in line with higher purchases in the second half of 2009. This also led to an increase in trade and other payables. Another contributing factor to the increase in trade and other payables from S$6.6 million as at 31 December 2008 to S$8.8 million as at 31 December 2009 was due to higher deposits from our Venezuela customers.

The decrease in fair value of financial liabilities, which were mainly forward foreign exchange contracts was due to less volatile market exchange rate fluctuations as at 31 December 2009 as compared to the last financial year.

Net asset per share increased from 23.40 cents as at 31 December 2008 to 25.00 cents as at 31 December 2009 primarily due to better results for the current financial year. The currency translation losses recorded last year were reversed to a marginal gain this current year due to less volatile foreign currency movements.

8(c) CASH FLOW

There was no significant deterioration in our working capital cycle. Coupled with the profitable operation, operating cash flow was fairly strong, which was used to reduce borrowings. Following the crisis, we also deferred most of our capital expenditure. The net effect was an increase in net cash position from $6.0 million to $6.6 million.

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

In our first half year 2009 announcement, we reported that the second half would be better than the first half. Our results in the second half were thus in line with the prospect statement.

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.

PROSPECTS

2009 was a challenging year for most companies including MegaChem. The crisis, which began in the United States of America in 2008 and soon developed into a global recession, persisted into the first quarter of 2009. Since then the economy has shown signs of recovery. This has translated into restocking of inventory and stabilization in prices for the chemical industry.

Undaunted by the crisis, MegaChem has pushed ahead with its globalization strategy by expanding our presence in the emerging markets such as India and Vietnam. Both have now been converted from representative offices to wholly-owned subsidiaries which will enable us to deepen our penetration into these markets. With that we have now fully implemented our strategy set 5 years ago of building a global platform for us to launch our next phase of growth.

In addition we foresaw the opportunity of building regional relationships with some of our multi-national customers. Some level of success has since been achieved which will provide a higher as well as steadier stream of revenue for MegaChem.

The crisis has enabled us to consolidate our position in the industry, resulting in more product agencies being secured. This will provide our customers with more choices in terms of price and quality.

While we continue to seek diversification in terms of the industries we supply our chemicals to, we will channel more resources towards higher growth industries such as oil & gas, water treatment and construction.

The crisis also presented opportunities for our custom-blending business as more companies outsourced their non-core production activities. We were thus able to secure more customers which will contribute more revenue to our manufacturing operation.

The strategy which has been put in place will put us in a good position to take full advantage of the economic recovery. Barring any unforeseen circumstances, we envisaged a better performance in 2010.

RISK FACTORS

The group believes the imminent risks to our financial performance in 2010 are as follows:

Global economy

Although there are signs of the global economy recovering, it remains to be seen if the growth can be sustained. If the global economy takes a double-dip recession, it will have an adverse impact on our business.

Currency volatility

The Group operates internationally and is exposed to foreign currency risks arising from various currency exposures primarily in United States Dollar, Euro, Sterling Pound, Japanese Yen and Malaysia Ringgit. If the currency market continues to be volatile, it may have an impact on our Group's profitability.

Interest Rate Risk

The Group's interest rate risk arises mainly from short-term borrowings at floating rates. If market interest rates increase significantly, it will have an impact on our borrowing cost.

Credit risk

The group products are sold to more than 1000 customers. The credit risks in some countries are more difficult to assess. Any payment default may have an impact on the group's financial performance.

Oil price

Crude oil price has started to creep higher again. Any rapid and drastic spike in oil prices may have an impact on our profit margins.

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.

11. Dividend

(a) Current financial year reported on

Any final dividend declared for the financial year ended? Yes

The directors are pleased to recommend a final one-tier dividend of 1.0 cents per share (2008 : final dividend of 0.4 cents per share) in respect of the financial year ended 31 December 2009 for approval by the shareholders at the next Annual General Meeting to be convened.

Name of dividend : Final one-tier tax exempt
Type of dividend : Cash
Dividend amount : 1.0 cents per share
Date payable : To be announced later
Book closure date : To be announced later

(b) Interim dividends declared

Dividends paid in the financial year	31 December 2009	31 December 2008
Name of dividend	Final	Final
In respect of financial year ended	31 December 2008	31 December 2007
Dividend type	Cash	Cash
Dividend amount per share	0.4	0.3
Tax rate	Exempt	Exempt

(c) Date payable

To be announced later

(d) Books closure date

To be announced later

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

Primary reporting format – Geographical segments by location of assets

	Singapore	Malaysia	Indonesia	United Kingdom	Others	Unallocated	Group
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
For the financial year ended 31 December 2009							
Sales							
Total sales by segment	45,652	12,949	6,689	14,288	6,884		86,462
Inter-segment sales	(9,725)	(445)	(78)	(3,394)	(2,197)		(15,839)
	35,927	12,504	6,611	10,894	4,687	-	70,623
Segment result	1,261	1,218	307	399	(197)	-	2,988
Interest income - bank						20	20
Finance costs						(237)	(237)
Share of profit of assciated company						679	679
Profit before income tax							3,450
Income tax expense						(744)	(744)
Net profit	1,261	1,218	307	399	(197)	(282)	2,706
Other segment items							
Capital expenditure	204	26	67	50	77	-	424
Depreciation and amortisation	347	81	77	50	25	-	580

	Singapore	Malaysia	Indonesia	United Kingdom	Others	Unallocated	Group
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Segment assets	25,238	7,858	3,037	5,654	4,282	-	46,069
Associated company						3,184	3,184
Fixed deposits						1,342	1,342
Consolidated total assets	25,238	7,858	3,037	5,654	4,282	4,526	50,595
Segment liabilities	(3,978)	(467)	(205)	(3,511)	(713)	-	(8,874)
Borrowings						(6,751)	(6,751)
Current income tax liabilities						(168)	(168)
Deferred income tax liabilities						(32)	(32)
Consolidated total liabilities	(3,978)	(467)	(205)	(3,511)	(713)	(6,951)	(15,825)

For the financial year ended 31 December 2008	Singapore S$'000	Malaysia S$'000	Indonesia S$'000	United Kingdom S$'000	Others S$'000	Unallocated S$'000	Group S$'000
Sales							
Total sales by segment	49,841	12,918	6,968	17,542	4,016		91,285
Inter-segment sales	(9,256)	(624)	(96)	(2,490)	(1,155)		(13,621)
	40,585	12,294	6,872	15,052	2,861	-	77,664
Segment result	897	1,479	258	557	(311)	-	2,880
Interest income - bank						60	60
Finance costs						(455)	(455)
Share of profit of assciated company						541	541
Profit before income tax							3,026
Income tax expense						(687)	(687)
Net profit	897	1,479	258	557	(311)	(541)	2,339
Other segment items							
Capital expenditure	427	51	94	120	70	-	762
Depreciation and amortisation	364	99	74	10	13	-	560

	Singapore S$'000	Malaysia S$'000	Indonesia S$'000	United Kingdom S$'000	Others S$'000	Unallocated S$'000	Group S$'000
Segment assets	24,186	6,918	3,798	6,088	3,002	-	43,992
Associated company						2,527	2,527
Fixed deposits						1,441	1,441
Consolidated total assets	24,186	6,918	3,798	6,088	3,002	3,968	47,960
Segment liabilities	(3,598)	(137)	(167)	(2,764)	(262)	-	(6,928)
Borrowings						(8,299)	(8,299)
Current income tax liabilities						(126)	(126)
Deferred income tax liabilities						(32)	(32)
Consolidated total liabilities	(3,598)	(137)	(167)	(2,764)	(262)	(8,457)	(15,385)

Secondary reporting format – Business segments

As the Group operates substantially in one business segment which is the blending and trading in chemicals and chemical-related products, no other segment information by business segment is presented.

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

	Year ended 31 December 2009 S$'000	Year ended 31 December 2008 S$'000	Variance increase/(decrease)	%
(a) Sales for the first half	**31,904**	40,853	(8,949)	(21.9%)
(b) Sales for the second half	**38,719**	36,811	1,908	5.2%
Increase/(decrease) H2 v2 H1	***6,815***	*(4,042)*		
Increase/(decrease) in % H2 v2 H1	***21.4%***	*(9.9%)*		
(c) Profit after tax and before attributing to minority interests for the first half	**817**	1,586	(769)	(48.5%)
(d) Profit after tax and before attributing to minority interests for the second half	**1,889**	754	1,135	150.5%
Increase/(decrease) H2 v2 H1	***1,072***	*(832)*		
Increase/(decrease) in % H2 v2 H1	***131.2%***	(52.5%)		

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

Total annual dividend	**Full year ended 31 December 2009 S$**	Full year ended 31 December 2008 S$
Ordinary	**533,200**	399,900

16. Related Parties and Interested Person Transactions

Name of interested person	Aggregate value of all interested person transactions during the financial year ended 31 December 2009 under review (excluding transactions less than $100,000 and transactions conduct under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the financial year ended 31 December 2009 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 : The Group has entered into interested person transactions amounting to S$156,276 and each transaction was below S$100,000 which fell outside the scope of Rule 920.

This announcement has been prepared by the Company and the contents have been reviewed by the Company's Sponsor, Phillip Securities Pte Ltd, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("Exchange").The Company's Sponsor has not independently verified the contents of this announcement.

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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