



# MEGACHEM LIMITED

## Un-audited Financial Statements and Dividend Announcement

For The Full Year Ended  
31 December 2018

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

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## UNAUDITED RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2018

The directors of Megachem Limited are pleased to advise the following unaudited results of the Group for the full year ended 31 December 2018.

**1(a) An income statement and statement of comprehensive income or a statement of comprehensive income 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 2018

	For the full year	For the full year	Variance	
	ended	ended	Favourable/(Unfavourable)	
	31 December 2018	31 December 2017	S\$'000	%
	S\$	S\$		
Revenue	117,878,212	108,102,074	9,776	9.0%
Cost of sales	<u>(88,430,592)</u>	<u>(81,493,638)</u>	(6,937)	(8.5%)
<b>Gross profit</b>	<b>29,447,620</b>	26,608,436	2,839	10.7%
Other income	423,067	2,546,480	(2,123)	(83.4%)
Distribution costs	(15,700,699)	(15,761,993)	61	0.4%
Administrative expenses	(5,338,439)	(5,053,764)	(285)	(5.6%)
Other operating expenses	(3,470,794)	(3,416,780)	(54)	(1.6%)
Finance costs	(750,178)	(532,689)	(217)	(40.8%)
Share of profit of associated companies	771,491	818,338	(47)	(5.7%)
<b>Profit before income tax</b>	<b>5,382,068</b>	5,208,028	174	3.3%
Income tax expense	<u>(1,108,983)</u>	<u>(1,012,840)</u>	(96)	(9.5%)
<b>Net profit</b>	<b>4,273,085</b>	<b>4,195,188</b>	78	1.9%
Other comprehensive income:				
Exchange differences on translating foreign operations, net of tax	<u>338,798</u>	<u>(116,405)</u>	455	391.1%
<b>Total comprehensive income</b>	<b>4,611,883</b>	<b>4,078,783</b>	533	13.1%
Net profit/(loss) attributable to:				
Equity holders of the Company	4,079,825	4,242,508	(163)	(3.8%)
Non-controlling interests	<u>193,260</u>	<u>(47,320)</u>	241	508.4%
<b>Net profit</b>	<b>4,273,085</b>	<b>4,195,188</b>	78	1.9%
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	4,409,563	4,226,281	183	4.3%
Non-controlling interests	<u>202,320</u>	<u>(147,498)</u>	350	237.2%
<b>Total comprehensive income</b>	<b>4,611,883</b>	<b>4,078,783</b>	533	13.1%
Earnings per share of profit attributable to equity holders of the Company during the financial year				
- basic and diluted	<u>3.06 cents</u>	<u>3.18 cents</u>	(0.12)	(3.8%)



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

	For the full year ended 31 December 2018 S\$	For the full year ended 31 December 2017 S\$
<u>Other income</u>		
Bad debt recovered	113,344	82,149
Change in fair value of financial assets at fair value through profit or loss	45,323	431,516
Dividend income	1,986	2,123
Gain on disposal of property, plant and equipment	44,597	32,307
Gain on dilution of interests in associated companies	-	1,839,187
Grant income	78,370	45,316
Interest income from banks	122,673	100,228
Rental income	16,774	13,654
	<u>423,067</u>	<u>2,546,480</u>
Change in fair value of financial assets at fair value through profit or loss		
- forward foreign exchange contracts	45,323	1,516
- listed equity security	(240,000)	430,000
Change in fair value of financial liabilities at fair value through profit or loss		
- forward foreign exchange contracts	(13,712)	(16,575)
Depreciation and amortisation	(912,110)	(1,168,064)
Interest on borrowings	(750,178)	(532,689)
Impairment of trade receivables	(338,020)	(1,381,715)
Net foreign exchange loss	(748,070)	(824,549)
Write down of inventory	(74,008)	(863,525)
Adjustment for over provision for tax in respect of prior reporting years	55,775	73,830
Gain on disposal of property plant and equipment	44,597	32,307



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 2018**

	<u>Group</u>		<u>Company</u>	
	<b>31 December 2018</b>	31 December 2017	<b>31 December 2018</b>	31 December 2017
	<b>S\$</b>	S\$	<b>S\$</b>	S\$
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	<b>10,711,685</b>	10,856,528	<b>1,453,931</b>	1,596,963
Investment property	<b>79,165</b>	82,054	-	-
Investments in subsidiaries	-	-	<b>5,871,772</b>	5,284,379
Investments in associated companies	<b>5,760,592</b>	5,521,196	<b>2,798,756</b>	2,798,756
Transferable club memberships	<b>27,012</b>	26,952	<b>4,001</b>	4,001
Deferred tax assets	<b>261,574</b>	268,282	-	-
	<b><u>16,840,028</u></b>	<u>16,755,012</u>	<b><u>10,128,460</u></b>	<u>9,684,099</u>
<b>Current assets</b>				
Inventories	<b>26,086,640</b>	23,914,744	<b>11,333,191</b>	10,763,479
Trade and other receivables	<b>24,082,338</b>	27,661,192	<b>17,937,409</b>	18,329,223
Financial assets at fair value through profit or loss	<b>383,606</b>	581,533	<b>340,145</b>	580,000
Other current assets	<b>2,118,083</b>	1,647,396	<b>212,086</b>	341,079
Cash and bank balances	<b>12,199,484</b>	9,344,937	<b>1,669,521</b>	1,795,013
	<b><u>64,870,151</u></b>	<u>63,149,802</u>	<b><u>31,492,352</u></b>	<u>31,808,794</u>
<b>Total assets</b>	<b><u>81,710,179</u></b>	<u>79,904,814</u>	<b><u>41,620,812</u></b>	<u>41,492,893</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	<b>15,892,028</b>	15,892,028	<b>15,892,028</b>	15,892,028
Other reserves	<b>(4,219,180)</b>	(4,548,918)	-	-
Retained earnings	<b>35,485,710</b>	33,272,085	<b>7,996,206</b>	8,945,335
	<b><u>47,158,558</u></b>	<u>44,615,195</u>	<b><u>23,888,234</u></b>	<u>24,837,363</u>
<b>Non-controlling interests</b>	<b>2,781,126</b>	2,578,806	-	-
<b>Total equity</b>	<b><u>49,939,684</u></b>	<u>47,194,001</u>	<b><u>23,888,234</u></b>	<u>24,837,363</u>
<b>Non-current liabilities</b>				
Borrowings	<b>1,309,229</b>	2,120,264	-	-
	<b><u>1,309,229</u></b>	<u>2,120,264</u>	<u>-</u>	<u>-</u>
<b>Current liabilities</b>				
Current income tax liabilities	<b>215,584</b>	431,885	<b>48,612</b>	178,114
Trade and other payables	<b>12,036,224</b>	15,580,433	<b>6,212,188</b>	6,832,284
Borrowings	<b>18,196,152</b>	14,561,469	<b>11,468,755</b>	9,645,132
Financial liabilities at fair value through profit or loss	<b>13,306</b>	16,762	<b>3,023</b>	-
	<b><u>30,461,266</u></b>	<u>30,590,549</u>	<b><u>17,732,578</u></b>	<u>16,655,530</u>
<b>Total liabilities</b>	<b><u>31,770,495</u></b>	<u>32,710,813</u>	<b><u>17,732,578</u></b>	<u>16,655,530</u>
<b>Total equity and liabilities</b>	<b><u>81,710,179</u></b>	<u>79,904,814</u>	<b><u>41,620,812</u></b>	<u>41,492,893</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 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
S\$2,832,814	S\$15,363,338	S\$2,224,525	S\$12,336,944

Amount repayable after one year

As at 31 December 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
S\$1,309,229	-	S\$2,120,264	-

#### 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. mortgage over 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 2018**

	For the full year ended 31 December 2018 S\$	For the full year ended 31 December 2017 S\$
<b>Cash flows from operating activities</b>		
Net profit	4,273,085	4,195,188
Adjustments for:		
Change in fair value of financial assets	240,000	(430,000)
Depreciation charge	912,110	1,168,064
Dividend income	(1,986)	(2,123)
Gain on disposal of property, plant and equipment	(44,597)	(32,307)
Gain on dilution of interests in associated companies	-	(1,839,187)
Share of profit of associated companies	(771,491)	(818,338)
Income tax expense	1,108,983	1,012,840
Interest income	(122,673)	(100,228)
Finance costs	750,178	532,689
Operating cash flow before working capital changes	<u>6,343,609</u>	<u>3,686,598</u>
Change in operating assets and liabilities		
Trade and other receivables and other current assets	2,769,586	(3,379,347)
Inventories	(2,229,235)	(3,940,359)
Financial assets at fair value through profit or loss	(45,323)	65,386
Trade and other payables	(2,982,471)	3,123,231
Financial liabilities at fair value through profit or loss	13,712	(308)
Foreign exchange adjustment differences	(46,417)	(50,440)
Cash from/(used in) operations	<u>3,823,461</u>	<u>(495,239)</u>
Income tax paid	(1,337,161)	(748,757)
Interest received	122,673	100,228
<b>Net cash from/(used in) operating activities</b>	<u>2,608,973</u>	<u>(1,143,768)</u>
<b>Cash flows from investing activities</b>		
Dividends received from associated company and listed equity	664,965	358,044
Purchase of property, plant and equipment	(749,226)	(564,836)
Proceeds from sale of property, plant and equipment	44,662	33,885
<b>Net cash used in investing activities</b>	<u>(39,599)</u>	<u>(172,907)</u>
<b>Cash flows from financing activities</b>		
Dividends paid	(1,866,200)	(1,599,600)
Dividends paid by subsidiary to non-controlling shareholders	-	(82,351)
Repayments of long term bank loans	(809,172)	(770,590)
Proceeds from bills payables	861,998	2,476,027
Proceeds/(repayments) of short term bank loans	2,851,714	(301,213)
Interest paid	(710,481)	(523,937)
<b>Net cash from/(used in) financing activities</b>	<u>327,859</u>	<u>(801,664)</u>
<b>Net increase/(decrease) in cash and cash equivalents held</b>	<u>2,897,233</u>	<u>(2,118,339)</u>
Cash and cash equivalents, statement of cash flow, beginning balance	9,344,937	11,527,426
Effects of exchange rate changes on cash and cash equivalents	(42,686)	(64,150)
<b>Cash and cash equivalents, statement of cash flow, ending balance</b>	<u>12,199,484</u>	<u>9,344,937</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 2018**

	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 :						
<b>Opening balance at 1 January 2018</b>	47,194,001	44,615,195	15,892,028	(4,548,918)	33,272,085	2,578,806
Total comprehensive income for the reporting year	4,611,883	4,409,563	-	329,738	4,079,825	202,320
Final dividend relating to 2017 paid	(933,100)	(933,100)	-	-	(933,100)	-
Interim dividend relating to 2018 paid	(933,100)	(933,100)	-	-	(933,100)	-
<b>Closing balance at 31 December 2018</b>	<b>49,939,684</b>	<b>47,158,558</b>	<b>15,892,028</b>	<b>(4,219,180)</b>	<b>35,485,710</b>	<b>2,781,126</b>
Previous year :						
<b>Opening balance at 1 January 2017</b>	44,797,169	41,988,514	15,892,028	(4,532,691)	30,629,177	2,808,655
Total comprehensive income/(loss) for the reporting year	4,078,783	4,226,281	-	(16,227)	4,242,508	(147,498)
Final dividend relating to 2016 paid	(933,100)	(933,100)	-	-	(933,100)	-
Interim dividend relating to 2017 paid	(666,500)	(666,500)	-	-	(666,500)	-
Final dividend paid to non- controlling interests	(82,351)	-	-	-	-	(82,351)
<b>Closing balance at 31 December 2017</b>	<b>47,194,001</b>	<b>44,615,195</b>	<b>15,892,028</b>	<b>(4,548,918)</b>	<b>33,272,085</b>	<b>2,578,806</b>





<u>The Company</u>	Total equity S\$	Share capital S\$	Retained earnings S\$
Current year :			
<b>Opening balance at 1 January 2018</b>	24,837,363	15,892,028	8,945,335
Total comprehensive income for the reporting year	917,071	-	917,071
Final dividend relating to 2017 paid	(933,100)	-	(933,100)
Interim dividend relating to 2018 paid	(933,100)	-	(933,100)
<b>Closing balance at 31 December 2018</b>	<b>23,888,234</b>	<b>15,892,028</b>	<b>7,996,206</b>
Previous year :			
<b>Opening balance at 1 January 2017</b>	24,701,430	15,892,028	8,809,402
Total comprehensive income for the reporting year	1,735,533	-	1,735,533
Final dividend relating to 2016 paid	(933,100)	-	(933,100)
Interim dividend relating to 2017 paid	(666,500)	-	(666,500)
<b>Closing balance at 31 December 2017</b>	<b>24,837,363</b>	<b>15,892,028</b>	<b>8,945,335</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 2018.

There were no unissued shares in the capital of the Company reserved for the exercise of any option nor were there any treasury shares as at the end of the financial years ended 31 December 2018 and 31 December 2017.

There were no outstanding convertibles and subsidiary holdings as at the end of the financial years ended 31 December 2018 and 31 December 2017.



**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 2018 and 31 December 2017 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.

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

There were no sale, transfer, disposal, cancellation and/or use of subsidiary holdings 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 or practice.**

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 2017.

**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 2018, the Group adopted the new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") and the related Interpretations to SFRS(I)s ("SFRS(I) INT") 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 SFRS(I) and SFRS(I) INT.

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



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

	<b>For the full year ended 31 December 2018</b>	For the full year ended 31 December 2017
Earnings per ordinary shares (in cents)		
a) Based on weighted average number of ordinary shares on issue	<b>3.06</b>	3.18
b) On a fully diluted basis	<b>3.06</b>	3.18
Weighted average number of ordinary shares in issue for earnings per share	<b>133,300,000</b>	133,300,000

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

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

	<u>Group</u>		<u>Company</u>	
	<b>31 December 2018</b>	31 December 2017	<b>31 December 2018</b>	31 December 2017
Net asset value per ordinary share based on issued share capital (cents)	<b>35.38</b>	33.47	<b>17.92</b>	18.63
No of ordinary shares used in calculation	<b>133,300,000</b>	133,300,000	<b>133,300,000</b>	133,300,000

## 8. REVIEW OF PERFORMANCE

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

Profitability Highlights	H2 2017	H1 2018	H2 2018	Variance H2 2018 vs H1 2018		Variance H2 2018 vs H2 2017	
				Fav/(Unfav)	%	Fav/(Unfav)	%
Sales (S\$mil)	56.7	59.0	<b>58.9</b>	(0.2)	(0.3%)	2.2	3.8%
Gross profit (S\$mil)	14.1	14.9	<b>14.5</b>	(0.4)	(2.9%)	0.4	2.6%
Gross profit margin	25.0%	25.3%	<b>24.6%</b>	(0.7% pts)	na	(0.4% pts)	na
Total operating expenses and finance costs (S\$mil)	12.1	12.6	<b>12.6</b>	-	-	(0.5)	(4.0%)
Other income (S\$'000)	438	358	<b>65</b>	(293)	(82.0%)	(373)	(85.3%)
Share of profit of associated companies (S\$'000)	412	381	<b>391</b>	10	2.7%	(21)	(5.2%)
Net profit before tax (S\$mil)	2.9	3.0	<b>2.3</b>	(0.7)	(22.5%)	(0.5)	(18.1%)
Net profit after tax (S\$mil)	2.0	2.4	<b>1.9</b>	(0.5)	(21.8%)	(0.1)	(6.0%)
Net profit after tax margin	3.5%	4.1%	<b>3.2%</b>	(0.9% pts)	na	(0.3% pts)	na
EBITDA (S\$mil)	3.6	3.8	<b>3.1</b>	(0.7)	(17.6%)	(0.5)	(13.1%)
EBITDA margin	6.3%	6.4%	<b>5.3%</b>	(1.1% pts)	na	(1.0% pts)	na
Earnings per share attributable to the equity holders of the Company (cents)	1.48	1.70	<b>1.36</b>	(0.34)	(20.0%)	(0.12)	(8.1%)
Annualised return on equity (ROE)	8.9%	9.7%	<b>7.7%</b>	(2.0% pts)	na	(1.2% pts)	na

Profitability Highlights	FY 2017	FY 2018	Variance FY 2018 vs FY 2017	
			Fav/(Unfav)	%
Sales (S\$mil)	108.1	<b>117.9</b>	9.8	9.0%
Gross profit (S\$mil)	26.6	<b>29.4</b>	2.8	10.7%
Gross profit margin	24.6%	<b>25.0%</b>	0.4% pts	na
Total operating expenses and finance cost (S\$mil)	24.8	<b>25.3</b>	(0.5)	(2.0%)
Other income (S\$'000)	2,546	<b>423</b>	(2,123)	(83.4%)
Share of profit of associated companies (S\$'000)	818	<b>771</b>	(47)	(5.7%)
Net profit before tax (S\$mil)	5.2	<b>5.4</b>	0.2	3.3%
Net profit after tax (S\$mil)	4.2	<b>4.3</b>	0.1	1.9%
Net profit after tax margin	3.9%	<b>3.6%</b>	(0.3% pts)	na
EBITDA (S\$mil)	6.8	<b>6.9</b>	0.1	1.7%
EBITDA margin	6.3%	<b>5.9%</b>	(0.4% pts)	na
Earnings per share attributable to the equity holders of the Company (cents)	3.18	<b>3.06</b>	(0.12)	(3.8%)
Annualised return on equity (ROE)	9.5%	<b>8.7%</b>	(0.8% pts)	na

na : not applicable

## 8(a) PROFITABILITY ANALYSIS

### 8(a)(i) Sales

	H2 2017	H1 2018	H2 2018	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2018 vs H1 2018	%	H2 2018 vs H2 2017	%
ASEAN	37,855	38,132	<b>37,723</b>	(409)	(1.1)	(132)	(0.3)
North Asia	6,519	8,302	<b>7,761</b>	(541)	(6.5)	1,242	19.0
Europe	3,770	3,838	<b>4,514</b>	676	17.6	744	19.7
Middle East	2,986	2,876	<b>3,540</b>	664	23.1	554	18.6
South Asia	2,567	2,494	<b>2,683</b>	189	7.6	116	4.5
Australia	2,685	2,907	<b>2,545</b>	(362)	(12.4)	(140)	(5.2)
America	307	477	<b>86</b>	(391)	(82.1)	(221)	(72.0)
<b>Total</b>	<b>56,689</b>	<b>59,026</b>	<b>58,852</b>	<b>(174)</b>	<b>(0.3)</b>	<b>2,163</b>	<b>3.8</b>

	FY 2017		FY 2018		Variance Fav/(Unfav)	
	S\$'000	%	S\$'000	%	S\$'000	%
ASEAN	73,006	67.5	<b>75,854</b>	<b>64.4</b>	2,848	3.9
North Asia	11,861	11.0	<b>16,063</b>	<b>13.6</b>	4,202	35.4
Europe	6,876	6.4	<b>8,352</b>	<b>7.1</b>	1,476	21.5
Middle East	5,796	5.4	<b>6,417</b>	<b>5.4</b>	621	10.7
Australia	4,944	4.6	<b>5,452</b>	<b>4.6</b>	508	10.3
South Asia	5,011	4.6	<b>5,177</b>	<b>4.4</b>	166	3.3
America	583	0.5	<b>563</b>	<b>0.5</b>	(20)	(3.4)
Africa	25	-	-	-	(25)	(100.0)
<b>Total</b>	<b>108,102</b>	<b>100.0</b>	<b>117,878</b>	<b>100.0</b>	<b>9,776</b>	<b>9.0</b>

#### Geographic Segment Sales Analysis

##### H2 2018 vs H1 2018

After registering consecutive growth since the first half of 2017, sales to ASEAN, North Asia and Australia markets declined by S\$0.4 million, S\$0.5 million and S\$0.4 million respectively in the second half of 2018 ("H2 2018") vis-à-vis the first half of 2018 ("H1 2018"). Sales to America market was reduced to \$0.1 million in H2 2018 as compared to S\$0.5 million in H1 2018.

On the other hand, sales to Europe markets continued to expand at the growth rate of 17.6% or S\$0.7 million in H2 2018. Similarly, after a marginal dip in sales in H1 2018, sales to Middle East and South Asia markets picked up by S\$0.7 million or 23.1% and S\$0.2 million or 7.6% respectively.

As a result of mix performance across the markets, total sales of S\$58.9 million for H2 2018 was almost flat vis-à-vis H1 2018.

##### H2 2018 vs H2 2017

As compared to the second half of 2017 ("H2 2017"), the increase in total sales of S\$2.2 million or 3.8% was led by notable strong growth of approximately 19% to 20% from the North Asia, Europe and Middle East markets.

This was partly offset by marginally lower sales in ASEAN and Australia markets of S\$0.1 million each and a reduction in sales of S\$0.2 million or 72.0% to the America market.

##### FY 2018 vs FY 2017

Supported by broad based growth across most of the major markets, sales for the full year of 2018 ("FY 2018") increased by S\$9.8 million or 9.0% to S\$117.9 million as compared to full year of 2017 ("FY 2017").



Year-on-year, North Asia recorded the fastest growth with an increase in sales of S\$4.2 million or 35.4%. This was followed by ASEAN and Europe markets which grew by S\$2.8 million or 3.9% and S\$1.5 million or 21.5% respectively.

While Australia and Middle East markets also perform better with an increase in sales of S\$0.5 million or 10.3% and S\$0.6 million or 10.7% respectively, sales to South Asia improved marginally by S\$0.2 million or 3.3%.

### **Business Activity Segment Sales Breakdown**

	H2 2017	H1 2018	H2 2018	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2018 vs H1 2018	%	H2 2018 vs H2 2017	%
Distribution activity	55,273	57,278	<b>56,875</b>	(403)	(0.7)	1,602	2.9
Manufacturing activity	1,416	1,748	<b>1,977</b>	229	13.1	561	39.5
Total Sales	56,689	59,026	<b>58,852</b>	(174)	(0.3)	2,163	3.8

	FY 2017	FY 2018	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Distribution activity	105,466	<b>114,153</b>	8,687	8.2
Manufacturing activity	2,636	<b>3,725</b>	1,089	41.3
Total Sales	108,102	<b>117,878</b>	9,776	9.0

#### **H2 2018 vs H1 2018** **H2 2018 vs H2 2017**

Sales from distribution segment declined marginally by S\$0.4 million or 0.7% in H2 2018 over H1 2018 and was the main cause for the overall decrease in sales in H2 2018. As compared to H2 2017, sales for H2 2018 grew steadily by S\$1.6 million or 2.9%.

Sales from the contract manufacturing segment continued to expand in H2 2018 to achieve S\$2.0 million for H2 2018. This represented an increase of S\$0.2 million or 13.1% as compared to H1 2018 and S\$0.6 million or 39.5% improvement vis-à-vis H2 2017.

#### **FY 2018 vs FY 2017**

Year-on-year, sales from distribution segment increased by S\$8.7 million or 8.2% due to broad based growth across most major markets while sales from manufacturing segment improved considerable by S\$1.1 million or 41.3%.

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

#### **H2 2018 vs H1 2018**

Gross profit margin for H2 2018 decreased by 0.7%-point as compared to H1 2018 partly due to higher inventory write down and partly because of lower gross profit margins across major markets such as ASEAN, Europe and Middle East.

Dampened by lower sales achieved in H2 2018, gross profit decreased marginally by S\$0.4 million or 2.9% over H1 2018.

### H2 2018 vs H2 2017

Although gross profit margin for H2 2018 (24.6%) was relatively unchanged as compared to H2 2017 (25.0%), gross profit increased by S\$0.4 million or 2.6% as a result of higher sales achieved.

### FY 2018 vs FY 2017

Due to lower inventory write down in the current year and lower depreciation of plant and machinery used in contract manufacturing as assets were almost fully depreciated by end of first half of 2017, gross profit margin for FY 2018 improved by 0.4%-point year-on-year. Coupled with higher sales in FY 2018, gross profit increased by S\$2.8 million or 10.7% vis-à-vis FY 2017.

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

	H2 2017	H1 2018	H2 2018	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2018 vs H1 2018	%	H2 2018 vs H2 2017	%
Bad debt recovered	17	41	<b>73</b>	32	78.3	56	320.0
Change in fair value of financial assets at fair value through profit or loss							
- forward foreign exchange contracts	(17)	142	<b>(97)</b>	(239)	(168.2)	(80)	(461.7)
- listed equity security	360	-	-	-	-	(360)	(100.0)
Grant income	14	78	-	(78)	(100.0)	(14)	(100.0)
Gain on disposal of plant and equipment	10	45	-	(45)	(100.0)	(10)	(100.0)
Interest income	46	43	<b>79</b>	36	82.2	33	73.9

	FY 2017	FY 2018	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Bad debt recovered	82	<b>113</b>	31	38.0
Change in fair value of financial assets at fair value through profit or loss				
- forward foreign exchange contracts	2	<b>45</b>	43	NM
- listed equity security	430	-	(430)	(100.0)
Gain on dilution of interests in associated companies	1,839	-	(1,839)	(100.0)
Grant income	45	<b>78</b>	33	72.9

NM : not meaningful

### H2 2018 vs H1 2018

Other income in H2 2018 decreased by S\$0.3 million or 82.0% and this was primarily due to partial reversal of fair value gain from forward exchange contracts recorded in H1 2018. Grant income and gain on disposal of plant and equipment recorded in H1 2018 did not recur in H2 2018.

The decline was partly offset by higher bad debt recovered and higher interest income.

### H2 2018 vs H2 2017

Due to the absence of S\$0.4 million fair value gain from listed equity, other income decreased by S\$0.4 million or 85.3% as compared to H2 2017. Fair value loss from listed equity in H2 2018 was recorded under operating expenses.



## FY 2018 vs FY 2017

Year-on-year, other income decreased by S\$2.1 million or 83.4%. This was due to the absence of one-time valuation gain of S\$1.8 million arising from the listing of our associated company in the stock exchange in Thailand in 2017 and fair value gain from listed equity of S\$0.4 million. Fair value loss from list equity of S\$0.2 million for this year was recorded under operating expenses.

The decline was partially offset by higher bad debt recovered, higher grant income and higher fair value gain from forward foreign exchange contracts.

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

#### H2 2018 vs H1 2018

#### H2 2018 vs H2 2017

	H2 2017	H1 2018	H2 2018	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2018 vs H1 2018	%	H2 2018 vs H2 2017	%
Change in fair value of financial assets at fair value through profit or loss							
- listed equity security	-	200	40	160	80.0	(40)	(100.0)
Employee remuneration and related expenses	6,713	7,170	7,269	(99)	(1.4)	(557)	(8.3)
Impairment of trade receivables	127	153	185	(32)	(21.3)	(58)	(45.7)
Net foreign exchange loss	470	537	211	326	60.6	269	55.0
Travelling and transport	602	519	538	(19)	(3.9)	64	10.6
Rental	1,360	1,333	1,483	(150)	(11.3)	(123)	(9.1)

Total operating expenses of S\$12.2 million incurred in H2 2018 were marginally lower by S\$0.1 million or 0.7% vis-à-vis H1 2018. The main reason for the decrease was because of lower net foreign exchange loss incurred in H2 2018 of S\$0.2 million as compared to S\$0.5 million in H1 2018.

The decline was partially offset by (i) higher rental expenses of S\$0.2 million and (ii) higher staff costs of S\$0.1 million.

As compared to H2 2017, the total operating expenses increased slightly by S\$0.4 million or 3.2%. Similarly, both staff costs and rental expenses were higher in H2 2018 by S\$0.6 million and S\$0.1 million respectively over H2 2017.

## FY 2018 vs FY 2017

	FY 2017	FY 2018	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Change in fair value of financial assets at fair value through profit or loss				
- listed equity security	-	<b>240</b>	(240)	(100.0)
Employee remuneration and related expenses	13,399	<b>14,439</b>	(1,040)	(7.8)
Impairment of trade receivables	1,382	<b>338</b>	1,044	75.5
Net foreign exchange loss	825	<b>748</b>	77	9.3
Rental	2,643	<b>2,816</b>	(173)	(6.6)





Higher staff costs and rental expenses and fair value loss on listed equity were the main reasons that led to the increase in total operating expenses in FY 2018.

Higher staff costs were within expectation while higher rental expenses were in line with higher purchases during the year.

The increase was partially offset by lower allowance for impairment of trade receivables, which fell by S\$1.0 million or 75.5% primarily because of allowance for impairment of receivables from Venezuela made last year.

As a result, the total operating expenses increased marginally by S\$0.3 million or 1.1% to S\$24.5 million year-on-year.

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

Finance costs comprised the following:-

			<b>H2 2018</b>	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	H2 2017	H1 2018		H2 2018 vs H1 2018	H2 2018 vs H2 2017		
	S\$'000	S\$'000		S\$'000	%	S\$'000	%
Bills payables	172	231	<b>262</b>	(31)	(13.3)	(90)	(52.2)
Bank loans	116	118	<b>139</b>	(21)	(18.6)	(23)	(20.8)
Total finance costs	288	349	<b>401</b>	(52)	(15.0)	(113)	(39.6)

	FY 2017	<b>FY 2018</b>	Variance Fav/(Unfav)	
	S\$'000	<b>S\$'000</b>	S\$'000	%
Bills payables	302	<b>493</b>	(191)	(63.2)
Bank loans	231	<b>257</b>	(26)	(11.6)
Total finance costs	533	<b>750</b>	(217)	(40.8)

#### H2 2018 vs H1 2018 H2 2018 vs H2 2017

As compared to H1 2018 and H2 2017, total finance costs for H2 2018 increased by S\$52,000 and S\$0.1 million respectively due to higher interest rates and an increase in borrowings.

#### FY 2018 vs FY 2017

For same reasons noted above, total finance costs increased by S\$0.2 million or 40.8% year-on-year.

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

#### H2 2018 vs H1 2018 H2 2018 vs H2 2017

Our share of profit of associated companies was flat at S\$0.4 million for H2 2018, H1 2018 and to H2 2017.

#### FY 2018 vs FY 2017

Year-on-year, our share of profit of associated companies remained relatively unchanged at S\$0.8 million as the higher profit recorded by the chemical distribution business was eroded by higher losses incurred by natural latex pillow manufacturing business.



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

H2 2018 vs H1 2018

H2 2018 vs H2 2017

Net profit before tax decreased by S\$0.7 million or 22.5% vis-à-vis H1 2018. This was mainly due to lower gross profit of S\$0.4 million and lower other income of S\$0.3 million, which resulted mainly from the change in fair value gain from forward exchange contracts.

Similarly, net profit before tax decreased by S\$0.5 million or 18.1% as compared to H2 2017. The higher total operating expenses and finance costs of S\$0.5 million and the reduction in other income of S\$0.4 million more than offset the increase in gross profit of S\$0.4 million.

FY 2018 vs FY 2017

Net profit before tax improved marginally by S\$0.2 million or 3.3% year-on-year. Despite an increase in gross profit of S\$2.8 million, the absence of one-time valuation gain of S\$1.8 million arising from the listing of our associated company and changes in fair value of listed equity of S\$0.7 million reduced most of the increase.

Excluding the change in fair value of listed equity, one-time valuation gain arising from the listing of our associated company and further adjusting for allowance for impairment of trade receivables from Venezuela in FY 2017, net profit before tax for FY 2018 would be higher by S\$1.5 million or 36.3% vis-à-vis last year.

Similarly, EBITDA of S\$6.9 million for FY 2018 was also slightly better by S\$0.1 million or 1.7% as compared to S\$6.8 million in FY 2017. EBITDA would have increased by S\$1.4 million or 25.1% if the above same exclusions were considered.

#### **8(a)(viii) Net profit after tax**

H2 2018 vs H1 2018

H2 2018 vs H2 2017

In line with lower net profit before tax achieved for H2 2018, net profit after tax decreased by S\$0.5 million or 21.8% and S\$0.1 million or 6.0% respectively vis-à-vis H1 2018 and H2 2017.

FY 2018 vs FY 2017

Corresponding to higher profit before tax, net profit after tax increased by a smaller magnitude of S\$0.1 million or 1.9%.

#### **8(a)(ix) Total comprehensive income**

H2 2018 vs H1 2018

H2 2018 vs H2 2017

The translation gains recorded for H1 2018 and H2 2017 of S\$0.5 million and S\$0.3 million respectively were largely due to the appreciation of Malaysian Ringgit during these periods. However, the trend started to reverse in H2 2018, resulting in S\$0.2 million translation losses incurred H2 2018.

As a result, comprehensive income for H2 2018 of S\$1.7 million decreased by S\$1.2 million or 72.7% and S\$0.6 or 26.1% as compared to comprehensive income of S\$2.9 million for H1 2018 and S\$2.3 million for H2 2017 respectively.

FY 2018 vs FY 2017

For the full year of 2018, translation gains of S\$0.3 million, arising mainly from the appreciation of Thai Baht and United States Dollar, was recorded as opposed to translation losses of S\$0.1 million incurred in the previous year. This contributed to the increase in comprehensive income of S\$0.5 million or 13.1% over FY 2017.

## 8(b) BALANCE SHEET ANALYSIS

Balance Sheet Highlights	As at		Variance
	31 December 2017	31 December 2018	31 December 2018 vs 31 December 2017 Fav/(Unfav)
Cash (S\$'mil)	9.3	<b>12.2</b>	2.9
Borrowings (S\$'mil)	16.7	<b>19.5</b>	(2.8)
Current ratio (times)	2.1	<b>2.1</b>	-
Gearing ratio (times)	0.37	<b>0.41</b>	(0.04)
Net assets per share attributable to equity holders of the Company (cents)	33.47	<b>35.38</b>	1.91
Inventory turnover (days)	115	<b>118</b>	(3)
Trade receivables turnover (days)	93	<b>84</b>	9
Trade payable turnover (days)	34	<b>35</b>	1

### Property, plant and equipment

There was no significant change in the carrying value of property, plant and equipment as at 31 December 2018 and 31 December 2017. Capital expenditure of S\$0.7 million for motor vehicles and computer was offset by depreciation charge of S\$0.9 million in the current year.

### Investment in associated companies

The increase in carrying value of our associated companies by S\$0.2 million or 4.3% was mainly due to positive contribution from operation for the current year of S\$0.8 million and translation gain of S\$0.1 million offset by dividend return of S\$0.7 million.

### Deferred tax assets

There was no significant change in the carrying value of deferred tax assets as at 31 December 2018 and 31 December 2017.

### Trade and other receivables

Net third party trade receivables decreased by S\$3.6 million or 13.2% from S\$27.1 million as at 31 December 2017 to S\$23.5 million as at 31 December 2018. The reduction was because of slower sales towards the end of FY 2018.

As such, turnover days for FY 2018 improved to 84 days from 93 days in FY 2017.

### Inventories

Inventories increased by S\$2.2 million or 9.1% from S\$23.9 million as at 31 December 2017 to S\$26.1 million as at 31 December 2018. This was in line with steady sales growth in FY 2018. Inventory turnover days increased to 118 days as compared to 115 days for the full year of 2017.

### Other current assets

Other current assets increased by S\$0.5 million to S\$2.1 million as compared S\$1.6 million as at 31 December 2017 mainly due to S\$0.4 million higher advance payments to suppliers for inventory purchase.

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

The decrease in financial assets at fair value through profit or loss was mainly due to negative fair value loss of S\$0.2 million in listed equity offset by an increase in fair value gain of forward contracts of S\$42,000.

Financial liabilities at fair value through profit or loss were not significant as at 31 December 2018 and 31 December 2017.



#### Trade and other payables

Total trade payables decreased by S\$2.4 million or 27.0% from S\$9.0 million as at 31 December 2017 to S\$6.6 million at 31 December 2018 as more inventory purchases were financed through bank borrowings.

Turnover days for FY 2018 and FY 2017 were relatively unchanged.

Other payables in aggregate consisting of accrued operating expenses, advance payments from customer and sundry payables decreased by S\$1.1 million from S\$6.6 million as at 31 December 2017 to S\$5.5 million as at 31 December 2018. This was primarily due to lower advance payments from customers and repayment of amount due to director of S\$0.2 million offset by higher accrued operating expenses of S\$0.4 million.

#### Borrowings

Total borrowings increased by S\$2.8 million or 16.9% as S\$3.6 million additional trade borrowings were utilised to finance higher sales and higher inventory purchases in the current year. On the other hand, long term bank loans of S\$0.8 million were also repaid during the current year.

In line with higher borrowings, our gearing ratio increased marginally from 0.37 times as at 31 December 2017 to 0.41 times as at 31 December 2018.

#### Net asset value

Net asset value per share increased from 33.47 cents as at 31 December 2017 to 35.38 cents as at 31 December 2018 primarily due to total comprehensive income for the current year of S\$4.4 million offset by dividend payment to shareholders of S\$1.9 million.

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

As a result of higher sales, positive cash flows from operating activities of S\$2.6 million were generated. This was almost adequate to satisfy cash obligations such as capital expenditure, dividend payments and long term bank loans repayments.

As a result of additional trade borrowings to fund inventory purchases, overall cash and cash equivalents increased by S\$2.9 million from S\$9.3 million as at 31 December 2017 to S\$12.2 million as at 31 December 2018.

### **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 or prospect statement 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 2019 ("FY 2019") are as follows:

##### **Global economy**

Trade tensions, China's economic growth transition, tighter monetary policies, fragility of the Euro zone and financial market volatility pose downside risks to the global economy. If these risk factors do not subside, it may weigh on the prospects for the global economy and the chemical industry. This will then have an impact on our business.

##### **Financial market risk**

Financial market activity and economic growth are closely linked. Many have warned of stretched market valuations. Should financial market risk escalates into a major correction, it may have an impact on economic growth and hence on our business prospect.



### **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 foreign exchange 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. Interest rate has been rising and is expected to rise further this year which 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' requirements. 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**

### **2018 : 30 Years of Excellence**

In 2018, Megachem celebrated its 30th Year Anniversary with solid performance, hitting record sales amid a benign macro-economic picture, marked by trade tensions, financial markets fragility and fear that the global economic growth may have peaked.

The record sales was achieved on broad-based growth in many of our markets, most significantly the Asian market as well as across our two main business activities of distribution and custom blending. It demonstrates the robustness of our strategy and our sound business models.

### **2019 : Cautious Optimism**

Looking ahead, the uncertainties we faced in 2018 may persist and hence pose a threat to our growth momentum. Economic and industry indicators are pointing to slower growth in 2019. While the foundation for our growth has been firmly laid, external risk factors may lead to lower demand for chemicals given the industry's close correlation with the overall economy. Rising borrowing cost as well as volatility in currency and oil prices may also weigh on our performance.

### **Potential and Possibilities**

Beyond the short term uncertainties, the future presents many possibilities for us. Backed by our extensive geographic presence and strong customer and supplier base, we are well positioned to seize any opportunities that the future may present and realise our potentials.

#### Asia : A Bright Spot

Asia remains a bright spot even as we face the prospect of slower global economic growth. Megachem already has presence in twelve countries, nine of which are in Asia. The acquisition of a chemical distributor in Thailand as well as the establishment of a presence in Myanmar in 2018 will further entrench our market position in Asia.



### Product Centricity

Megachem distributes a wide range of products across a broad spectrum of industries. Efforts will be stepped up to enhance product centricity within our business model as we seek to offer a suite of products to our customers.

### Customer Centricity

Over the years we have built strong relationships with major chemical producers as well as many multi-national customers. We will continue to foster relationships with key suppliers and customers to lay a stronger platform for next wave of growth.

### Integrated Solution

Our custom blending business is an integral part of our strategy of being an integrated solution provider. Wider customer base built in recent years will put us in good stead to grow this business further.

## **11. Dividend**

### **(a) Current financial year reported on**

Any dividend declared (recommended) for the current financial year ended 31 December 2018? Yes

The directors are pleased to recommend a final tax exempt dividend of 0.8 cent per share in respect of the financial year ended 31 December 2018 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)	0.8	0.7
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 2017? Yes

Name of dividend	Final	Interim
Dividend type	Cash	Cash
Dividend amount per share (in cents)	0.7	0.5
Tax rate	Exempt	Exempt



**(c) Date payable**

The final tax exempt dividend of 0.8 cent per share in respect of the financial year ended 31 December 2018, subject to approval by the shareholders at the next Annual General Meeting to be convened, will be paid on 24 May 2019.

**(d) Books closure date**

The Transfer Books and Register of Members of the Company will be closed on 13 May 2019 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 10 May 2019 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 10 May 2019 will be entitled to the payment of the proposed dividend.

Payment of the final tax exempt dividend of 0.8 cent per share will be made on 24 May 2019.



**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> S\$'000	<u>Malaysia</u> S\$'000	<u>Indonesia</u> S\$'000	<u>United Kingdom</u> S\$'000	<u>China</u> S\$'000	<u>Vietnam</u> S\$'000	<u>Others</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
<b>For the financial year ended 31 December 2018</b>									
<b>Sales</b>									
Total sales by segment	54,598	14,585	9,922	17,847	14,954	6,223	14,899	-	133,028
Inter-segment sales	(7,834)	(474)	(104)	(3,571)	(3,064)	(24)	(79)	-	(15,150)
	<u>46,764</u>	<u>14,111</u>	<u>9,818</u>	<u>14,276</u>	<u>11,890</u>	<u>6,199</u>	<u>14,820</u>	<u>-</u>	<u>117,878</u>
<b>Segment result</b>									
Interest income - bank	1,822	1,702	704	133	441	922	(486)	-	5,238
Finance costs								123	123
Share of profit of associated companies								(750)	(750)
Profit before income tax								771	771
Income tax expense								144	5,382
								(1,109)	(1,109)
<b>Net profit</b>	<u>1,822</u>	<u>1,702</u>	<u>704</u>	<u>133</u>	<u>441</u>	<u>922</u>	<u>(486)</u>	<u>(965)</u>	<u>4,273</u>
<b>Other segment items</b>									
Capital expenditure	251	184	98	40	56	35	85	-	749
Depreciation	637	103	74	12	18	19	49	-	912

	<u>Singapore</u> S\$'000	<u>Malaysia</u> S\$'000	<u>Indonesia</u> S\$'000	<u>United Kingdom</u> S\$'000	<u>China</u> S\$'000	<u>Vietnam</u> S\$'000	<u>Others</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
<b>Segment assets</b>									
Associated companies	28,918	12,728	6,702	4,951	4,351	3,250	9,961	-	70,861
Deferred tax assets								5,761	5,761
Interest earning cash balances								261	261
								4,827	4,827
<b>Consolidated total assets</b>	<u>28,918</u>	<u>12,728</u>	<u>6,702</u>	<u>4,951</u>	<u>4,351</u>	<u>3,250</u>	<u>9,961</u>	<u>10,849</u>	<u>81,710</u>
<b>Segment liabilities</b>									
Borrowings	(5,684)	(630)	(704)	(2,252)	(1,256)	(283)	(1,240)	-	(12,049)
Current income tax liabilities								(19,505)	(19,505)
								(216)	(216)
<b>Consolidated total liabilities</b>	<u>(5,684)</u>	<u>(630)</u>	<u>(704)</u>	<u>(2,252)</u>	<u>(1,256)</u>	<u>(283)</u>	<u>(1,240)</u>	<u>(19,721)</u>	<u>(31,770)</u>





	<u>Singapore</u>	<u>Malaysia</u>	<u>Indonesia</u>	<u>United Kingdom</u>	<u>China</u>	<u>Vietnam</u>	<u>Others</u>	<u>Unallocated</u>	<u>Group</u>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>For the financial year ended 31 December 2017</b>									
<b>Sales</b>									
Total sales by segment	54,472	14,314	10,510	16,535	13,074	3,976	12,914	-	125,795
Inter-segment sales	(8,000)	(377)	(169)	(4,485)	(4,571)	(37)	(54)	-	(17,693)
	<u>46,472</u>	<u>13,937</u>	<u>10,341</u>	<u>12,050</u>	<u>8,503</u>	<u>3,939</u>	<u>12,860</u>	<u>-</u>	<u>108,102</u>
<b>Segment result</b>									
	1,302	1,733	971	(1,772)	298	339	113	-	2,984
Gain on dilution of interest in in associated companies								1,839	1,839
Interest income - bank								100	100
Finance costs								(533)	(533)
Share of profit of associated companies								818	818
Profit before income tax								2,224	5,208
Income tax expense								(1,013)	(1,013)
<b>Net profit</b>	<u>1,302</u>	<u>1,733</u>	<u>971</u>	<u>(1,772)</u>	<u>298</u>	<u>339</u>	<u>113</u>	<u>1,211</u>	<u>4,195</u>
<b>Other segment items</b>									
Capital expenditure	280	72	91	-	6	4	112	-	565
Depreciation	961	100	54	3	9	14	27	-	1,168
<b>Segment assets</b>									
	30,589	12,861	6,717	5,197	5,106	2,899	8,698	-	72,067
Associated companies								5,521	5,521
Deferred tax assets								268	268
Interest earning cash balances								2,049	2,049
<b>Consolidated total assets</b>	<u>30,589</u>	<u>12,861</u>	<u>6,717</u>	<u>5,197</u>	<u>5,106</u>	<u>2,899</u>	<u>8,698</u>	<u>7,838</u>	<u>79,905</u>
<b>Segment liabilities</b>									
	(5,629)	(878)	(718)	(4,660)	(2,263)	(263)	(1,186)	-	(15,597)
Borrowings								(16,682)	(16,682)
Current income tax liabilities								(432)	(432)
<b>Consolidated total liabilities</b>	<u>(5,629)</u>	<u>(878)</u>	<u>(718)</u>	<u>(4,660)</u>	<u>(2,263)</u>	<u>(263)</u>	<u>(1,186)</u>	<u>(17,114)</u>	<u>(32,711)</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
<b>For the financial year ended</b>				
<b>31 December 2018</b>				
<b>Sales</b>				
Total sales by segment	128,855	4,173	-	133,028
Inter-segment sales	(14,702)	(448)	-	(15,150)
	<u>114,153</u>	<u>3,725</u>	<u>-</u>	<u>117,878</u>
<b>Segment result</b>				
Interest income - bank			123	123
Finance costs			(750)	(750)
Share of profit of associated companies			771	771
Profit before income tax	4,656	582	144	5,382
Income tax expense			(1,109)	(1,109)
<b>Net profit</b>	<u>4,656</u>	<u>582</u>	<u>(965)</u>	<u>4,273</u>
<b>Other segment items</b>				
Capital expenditure	714	35	-	749
Depreciation	635	277	-	912
<b>Segment assets</b>				
Associated companies	64,650	6,211	5,761	70,861
Deferred tax assets			261	261
Interest earning cash balances			4,827	4,827
<b>Consolidated total assets</b>	<u>64,650</u>	<u>6,211</u>	<u>10,849</u>	<u>81,710</u>
<b>Segment liabilities</b>				
Borrowings	(11,323)	(726)	(19,505)	(12,049)
Current income tax liabilities			(216)	(19,505)
<b>Consolidated total liabilities</b>	<u>(11,323)</u>	<u>(726)</u>	<u>(19,721)</u>	<u>(31,770)</u>



	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
<b>For the financial year ended 31 December 2017</b>				
<b>Sales</b>				
Total sales by segment	122,476	3,319	-	125,795
Inter-segment sales	(17,010)	(683)	-	(17,693)
	<u>105,466</u>	<u>2,636</u>	<u>-</u>	<u>108,102</u>
<b>Segment result</b>				
	2,877	107	-	2,984
Gain on dilution of interest in in associated companies			1,839	1,839
Interest income - bank			100	100
Finance costs			(533)	(533)
Share of profit of associated companies			818	818
Profit before income tax			2,224	5,208
Income tax expense			(1,013)	(1,013)
<b>Net profit</b>	<u>2,877</u>	<u>107</u>	<u>1,211</u>	<u>4,195</u>
<b>Other segment items</b>				
Capital expenditure	558	7	-	565
Depreciation	553	615	-	1,168
	<u>558</u>	<u>615</u>	<u>-</u>	<u>1,168</u>
	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
<b>Segment assets</b>				
	65,798	6,269	-	72,067
Associated companies			5,521	5,521
Deferred tax assets			268	268
Interest earning cash balances			2,049	2,049
<b>Consolidated total assets</b>	<u>65,798</u>	<u>6,269</u>	<u>7,838</u>	<u>79,905</u>
<b>Segment liabilities</b>				
	(15,222)	(375)	-	(15,597)
Borrowings			(16,682)	(16,682)
Current income tax liabilities			(432)	(432)
<b>Consolidated total liabilities</b>	<u>(15,222)</u>	<u>(375)</u>	<u>(17,114)</u>	<u>(32,711)</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 2018 S\$'000	Full year ended 31 December 2017 S\$'000	Variance Increase/ (decrease) S\$'000      %	
<u>Sales</u>				
(a) Sales for the first half ("H1")	59,026	51,413	7,613	14.8%
(b) Sales for the second half ("H2")	58,852	56,689	2,163	3.8%
<i>Increase/(decrease) H2 from H1</i>	<i>(174)</i>	5,276		
<i>Increase/(decrease) H2 from H1 (in %)</i>	<i>(0.3%)</i>	10.3%		
<u>Operating profit after tax</u>				
(c) Operating profit after tax and before attributing to non-controlling interests for H1	2,398	2,201	197	8.9%
(d) Operating profit after tax and before attributing to non-controlling interests for H2	1,875	1,994	(119)	(6.0%)
<i>Increase H2 from H1</i>	<i>(523)</i>	<i>(208)</i>		
<i>Increase H2 from H1 (in %)</i>	<i>(21.8%)</i>	<i>(9.4%)</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 2018 S\$	Full year ended 31 December 2017 S\$
Total annual dividend paid		
Ordinary	1,866,200	1,599,600

#### 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 2018 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 2018 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)	Nil (Note 3)

Name of interested person	Aggregate value of all interested person transactions during the financial year ended 31 December 2017 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 2017 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 did not engaged the services of Ipem Automation Sdn. Bhd during the financial year ended 31 December 2018. There was no prior shareholders' mandate obtained for these interested person transactions.

Note 2 : The Group entered into sales transactions amounting to aggregate S\$77,644 and each transaction was below S\$100,000 which fell outside the scope of Rule 920.

Note 3 : The Group had no purchases from Chori Co., Ltd and its related corporations.

Note 4 : The Group entered into purchase transactions amounting to S\$58,650 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\$79,360 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	51	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, a wholly-owned subsidiary of Megachem Limited, since 1 January 2009.	Nil

The following directors and substantial shareholders have confirmed that as at 31 December 2018, 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

Tan Bock Chia  
Executive Director

21 February 2019