

MEGACHEM LIMITED

Un-audited Financial Statements and Dividend Announcement

For The Full Year Ended 31 December 2010

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UNAUDITED RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2010

The directors of Megachem Limited are pleased to advise the following unaudited results of the Group for the full year ended 31 December 2010.

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 2010

	For the full year ended 31 December 2010 S$	For the full year ended 31 December 2009 S$	Variance Favourable/(Unfavourable) S$'000	%
Sales	**94,982,700**	70,622,743	24,360	34.5%
Cost of sales	**(75,266,458)**	(55,316,696)	(19,950)	(36.1%)
Gross profit	**19,716,242**	15,306,047	4,410	28.8%
Other operating income	**472,365**	500,825	(28)	(5.7%)
Distribution costs	**(8,877,516)**	(7,743,875)	(1,134)	(14.6%)
Adminstrative expenses	**(3,986,004)**	(3,422,716)	(563)	(16.5%)
Other operating expenses	**(2,115,709)**	(1,632,359)	(483)	(29.6%)
Finance costs	**(149,176)**	(236,906)	88	37.0%
Share of profit of associated companies	**1,099,238**	678,531	421	62.0%
Profit before income tax	**6,159,440**	3,449,547	2,710	78.6%
Income tax expense	**(1,336,756)**	(743,617)	(593)	(79.8%)
Net profit	**4,822,684**	2,705,930	2,117	78.2%
Other comprehensive income:				
Exchange differences on translating foreign operations, net of tax	**90,360**	47,391	43	90.7%
Total comprehensive income	**4,913,044**	2,753,321	2,160	78.4%
Net profit attributable to:				
Equity holders of the Company	**4,626,500**	2,635,813	1,991	75.5%
Minority interests	**196,184**	70,117	126	179.8%
Net profit	**4,822,684**	2,705,930	2,117	78.2%
Total comprehensive income attributable to:				
Equity holders of the Company	**4,757,869**	2,669,155	2,089	78.3%
Minority interests	**155,175**	84,166	71	84.4%
Total comprehensive income	**4,913,044**	2,753,321	2,160	78.4%
Earnings per share of profit attributable to equity holders of the Company during the financial year - basic and diluted	**3.47 cents**	1.98 cents		

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

	For the full year ended 31 December 2010 S$	For the full year ended 31 December 2009 S$
Other operating income		
Bad debt recovered	**257,670**	127,547
Change in fair value of financial assets held for trading	**42,479**	35,000
Dividend income	**2,930**	2,463
Gain on disposal of property, plant and equipment	**27,443**	62,516
Grant income	**89,954**	220,951
Interest income from banks	**30,006**	20,189
Management fees	**21,883**	12,587
Net foreign exchange gain	**-**	12,349
Rental income	**-**	7,223
	472,365	500,825
Change in fair value of financial assets held for trading	**42,479**	35,000
Change in fair value of financial liabilities held for trading	**(11,431)**	(29,157)
Depreciation and amortisation	**(632,643)**	(580,096)
Interest on borrowings	**(149,176)**	(236,906)
Impairment of trade receivables	**(110,972)**	(232,735)
Net foreign exchange loss	**(370,184)**	-
Write off of inventory	**(310,531)**	(103,049)
Adjustment for (under)/over provision for tax in respect of prior financial year	**448**	(57,028)

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 2010

	Group		Company	
	31 December 2010 S$	31 December 2009 S$	**31 December 2010 S$**	31 December 2009 S$
ASSETS				
Current assets				
Cash and bank balances	**6,767,092**	6,577,618	**1,230,259**	1,917,538
Trade and other receivables	**23,285,158**	21,137,927	**14,011,845**	14,058,391
Inventories	**18,218,340**	14,107,596	**11,508,471**	8,876,292
Financial assets held for trading	**142,479**	100,000	**121,163**	100,000
Other current assets	**2,452,998**	1,880,278	**1,262,779**	729,973
	50,866,067	43,803,419	**28,134,517**	25,682,194
Non-current assets				
Transferable club memberships	**33,170**	32,512	**4,001**	4,001
Investment in associated companies	**4,216,120**	3,184,024	**99,949**	99,949
Investments in subsidiaries	**-**	-	**4,319,751**	4,046,864
Investment property	**131,831**	132,704	**-**	-
Property, plant and equipment	**3,473,783**	3,442,600	**1,916,787**	1,943,765
	7,854,904	6,791,840	**6,340,488**	6,094,579
Total assets	**58,720,971**	50,595,259	**34,475,005**	31,776,773
LIABILITIES				
Current liabilities				
Trade and other payables	**10,712,967**	8,844,975	**5,179,168**	4,651,440
Current tax liabilities	**559,792**	168,496	**223,385**	63,545
Borrowings	**9,721,305**	6,696,535	**8,805,220**	6,467,539
Financial liabilities held for trading	**11,431**	29,157	**-**	9,253
	21,005,495	15,739,163	**14,207,773**	11,191,777
Non-current liabilities				
Deferred tax liabilities	**45,063**	31,500	**10,000**	-
Borrowings	**20,985**	53,985	**-**	-
	66,048	85,485	**10,000**	-
Total liabilities	**21,071,543**	15,824,648	**14,217,773**	11,191,777
NET ASSETS	**37,649,428**	34,770,611	**20,257,232**	20,584,996
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	**(1,204,489)**	(1,335,858)	-	-
Retained earnings	**21,392,369**	18,765,369	**4,365,204**	4,692,968
	36,079,908	33,321,539	**20,257,232**	20,584,996
Minority interests	**1,569,520**	1,449,072	**-**	-
Total equity	**37,649,428**	34,770,611	**20,257,232**	20,584,996

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 2010		As at 31 December 2009	
Secured	Unsecured	Secured	Unsecured
S$163,650	S$9,557,655	S$228,996	S$6,467,539

Amount repayable after one year

As at 31 December 2010		As at 31 December 2009	
Secured	Unsecured	Secured	Unsecured
S$20,985	-	S$53,985	-

Details of collateral

The secured borrowings were collateralized on:

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2010

	For the full year ended 31 December 2010 S$	For the full year ended 31 December 2009 S$
Cash flows from operating activities		
Net profit	**4,822,684**	2,705,930
Adjustments for:		
Amortisation and depreciation	**632,643**	580,096
Change in fair value of financial assets held for trading	**(15,000)**	(35,000)
Dividend income	**(2,930)**	(2,463)
Gain on disposal of property, plant and equipment	**(27,443)**	(62,516)
Share of profit of associated companies	**(1,099,238)**	(678,531)
Income tax expense	**1,336,756**	743,617
Interest income	**(30,006)**	(20,189)
Interest expense	**149,176**	236,906
Operating cash flow before working capital changes	**5,766,642**	3,467,850
Change in operating assets and liabiltiies		
Trade and other receivables	**(2,717,021)**	(3,284,121)
Inventories	**(4,110,744)**	1,134,208
Financial assets held for trading	**(27,479)**	-
Trade and other payables	**1,914,272**	2,209,305
Financial liabilities held for trading	**(17,726)**	(293,411)
Exchange differences	**59,577**	115,629
Cash generated from operations	**867,521**	3,349,460
Income tax paid	**(931,897)**	(748,033)
Interest received	**30,006**	20,189
Net cash (used in)/provided by operating activities	**(34,370)**	2,621,616
Cash flows from investing activities		
Purchase of interest from minority shareholder	**(17,207)**	-
Dividend received	**254,102**	383,784
Purchase of property, plant and equipment	**(789,258)**	(396,487)
Proceeds from sale of property, plant and equipment	**123,111**	102,696
Net cash (used in)/provided by investing activities	**(429,252)**	89,993
Cash flows from financing activities		
Dividends paid	**(1,999,500)**	(533,200)
Dividends paid by subsidiary to minority shareholders	**(17,520)**	(25,281)
Proceeds from/(repayment of) borrowings	**3,051,877**	(1,358,815)
Repayment of finance lease liability	**(41,507)**	(13,937)
Interest paid	**(195,456)**	(206,599)
Net cash provided by/(used in) financing activities	**797,894**	(2,137,832)
Net increase in cash and cash equivalents held	**334,272**	573,777
Cash and cash equivalents at beginning of the financial year	**6,577,618**	6,018,091
Effects of exchange rate changes on cash and cash equivalents	**(144,798)**	(14,250)
Cash and cash equivalents at end of the financial year	**6,767,092**	6,577,618
Cash and cash equivalents comprised the followings:		
Cash and bank balances	**6,767,092**	6,577,618
Less: bank overdraft	**-**	-
	6,767,092	6,577,618

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 2010

	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 2010	15,892,028	(1,335,858)	18,765,369	33,321,539	1,449,072	34,770,611
Total comprehensive income for the financial period	-	131,369	4,626,500	4,757,869	155,175	4,913,044
Final dividend relating to FY2009 paid	-	-	(1,333,000)	(1,333,000)	(17,520)	(1,350,520)
Interim dividend relating to FY2010 paid	-	-	(666,500)	(666,500)	-	(666,500)
Purchase of interest from minority shareholder	-	-	-	-	(17,207)	(17,207)
Balance at 31 December 2010	15,892,028	(1,204,489)	21,392,369	36,079,908	1,569,520	37,649,428
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 period	-	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

The Company	Share capital S$	Retained earnings S$	Total equity S$
Balance at 1 January 2010	15,892,028	4,692,968	20,584,996
Total comprehensive income for the financial period	-	1,671,736	1,671,736
Final dividend relating to FY2009 paid	-	(1,333,000)	(1,333,000)
Interim dividend relating to FY2010 paid	-	(666,500)	(666,500)
Balance at 31 December 2010	15,892,028	4,365,204	20,257,232
Balance at 1 January 2009	15,892,028	3,626,061	19,518,089
Total comprehensive income for the financial period	-	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

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.

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

There were no unissued shares of the Company under option and treasury shares as at the end of 31 December 2010 and 31 December 2009.

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 31 December 2010 and 31 December 2009 were 133,300,000.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as those of the audited financial statements for the year ended 31 December 2009.

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 2010, the Group adopted the new and revised FRS and Interpretations to FRS (INT FRS) that are relevant to its operations and mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

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

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

Earnings per ordinary shares (in cents)	**For the full year ended 31 December 2010**	For the full year ended 31 December 2009
a) Based on weighted average number of ordinary shares on issue	**3.47**	1.98
b) On a fully diluted basis	**3.47**	1.98
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 2010	31 December 2009	**31 December 2010**	31 December 2009
Net asset value per ordinary share based on issued share capital (cents)	**27.07**	25.00	**15.20**	15.44
No of ordinary shares used in calculation	**133,300,000**	133,300,000	**133,300,000**	133,300,000

8. REVIEW OF PERFORMANCE

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

Profitability Highlights	H2 2010	H1 2010	Variance H2 10 vs H1 10 Fav/(Unfav)	Variance H2 10 vs H1 10 %	Variance H2 10 vs H2 09 Fav/(Unfav)	Variance H2 10 vs H2 09 %
Sales (S$'mil)	49.8	45.2	4.6	10.2%	11.1	28.6%
Gross profit (S$'mil)	9.9	9.8	0.1	0.9%	1.4	16.2%
Gross profit margin	19.9%	21.7%	(1.8%) pts	na	(2.1%) pts	na
Total expenses and finance cost (S$'mil)	8.0	7.1	(0.8)	(11.9%)	(1.2)	(17.5%)
Other operating income (S$'000)	85	387	(302)	(78.0%)	(50)	(36.8%)
Share of associated profit (S$'000)	639	461	178	38.6%	185	40.8%
Net profit before tax (S$'mil)	2.6	3.5	(0.9)	(25.2%)	0.3	14.4%
Net profit after tax (S$'mil)	2.0	2.8	(0.8)	(28.9%)	0.1	6.1%
Earnings per share attributable to the equity holders of the Company (cents)	1.48	1.99	(0.51)	(25.6%)	0.09	6.5%
Annualised return on equity (ROE)	10.9%	15.1%	(4.2% pts)	na	(0.2% pts)	na

Profitability Highlights	FY 2010	FY 2009	Variance FY 2010 vs FY 2009 Fav/(Unfav)	Variance FY 2010 vs FY 2009 %
Sales (S$'mil)	95.0	70.6	24.4	34.5%
Gross profit (S$'mil)	19.7	15.3	4.4	28.8%
Gross profit margin	20.8%	21.7%	(0.9%) pts	na
Total expenses and finance cost (S$'mil)	15.1	13.0	(2.1)	(16.1%)
Other operating income (S$'000)	472	501	(28)	(5.7%)
Share of associated profit (S$'000)	1,099	679	421	62.0%
Net profit before tax (S$'mil)	6.2	3.4	2.7	78.6%
Net profit after tax (S$'mil)	4.8	2.7	2.1	78.2%
Earnings per share attributable to the equity holders of the Company (cents)	3.47	1.98	1.49	75.3%
Annualised return on equity (ROE)	12.8%	7.9%	4.9% pts	na

Balance Sheet Highlights	Half year ended 31 December 2010	Half year ended 30 June 2010	Half year ended 31 December 2009	Half year ended 30 June 2009	Full year ended 31 December 2010	Full year ended 31 December 2009	Variance 31 December 2010 vs 30 June 2010 Fav/(Unfav)	Variance 31 December 2010 vs 31 December 2009 Fav/(Unfav)
Current ratio	2.42	2.41	2.78	2.91	2.42	2.78	0.01	(0.36)
Gearing ratio	0.27	0.28	0.2	0.17	0.27	0.2	0.01	(0.07)
Net tangible assets per share (cents)	27.07	26.35	25.00	23.70	27.07	25	0.72	2.07
Inventory turnover (days)	87	88	86	107	84	103	1	19
Trade receivables turnover (days)	86	91	96	111	86	106	5	20

8(a) PROFITABILITY ANALYSIS

8(a)(i) Sales

	For the half year ended 31 December 2010		For the half year ended 30 June 2010		Variance	Fav/(Unfav)
	S$'000	**%**	S$'000	**%**	S$'000	%
ASEAN	**32,031**	**64.3**	32,124	71.1	(93)	(0.3)
Europe	**2,381**	**4.8**	2,533	5.6	(152)	(6.0)
North Asia	**6,086**	**12.2**	3,476	7.7	2,610	75.1
America	**2,536**	**5.1**	1,995	4.4	541	27.1
South Asia	**3,244**	**6.5**	2,201	4.9	1,043	47.4
Australia	**1,098**	**2.2**	1,089	2.4	9	0.8
Middle East	**2,365**	**4.8**	1,731	3.8	634	36.6
Africa	**46**	**0.1**	47	0.1	(1)	(2.1)
Total	**49,787**	**100.0**	45,196	100.0	4,591	10.2

	For the full year ended 31 December 2010		For the full year ended 31 December 2009		Variance	Fav/(Unfav)
	S$'000	**%**	S$'000	**%**	S$'000	%
ASEAN	**64,155**	**67.5**	50,399	71.4	13,756	27.3
Europe	**4,914**	**5.2**	3,075	4.3	1,839	59.8
North Asia	**9,562**	**10.1**	4,625	6.5	4,397	106.7
America	**4,531**	**4.8**	3,355	4.8	1,176	35.1
South Asia	**5,445**	**5.7**	2,306	3.3	3,139	136.1
Australia	**2,187**	**2.3**	2,256	3.2	(69)	(3.1)
Middle East	**4,097**	**4.3**	4,497	6.4	(400)	(8.9)
Africa	**92**	**0.1**	110	0.1	(18)	(16.4)
Total	**94,983**	**100.0**	70,623	100.0	24,360	34.5

Following a record first half sales of S$45.2 million, sales for the second half hit a new high with a further 10.2% growth. This marks the third consecutive half-yearly sales increase since the recession. Contributing to the sales growth were markets in Middle-east, America, North and South Asia.

For the full year ended 2010, sales increased by S$24.4 million or 34.5% compared to the full year ended 2009 to reach a record full year sales of S$95.0 million. On the back of improved economic environment and chemical demand, we experienced strong growth across most of our core markets.

North Asia market was the best performing market in the second half of FY2010 followed by South Asia with growth rates of 75.1% and 47.4% respectively. Contributing to the North Asia markets are China and Korea which both registered strong growth in sales. Sales from South Asia, contributed mainly from India, continued to record strong half yearly growth since last year and had also more than doubled year-on-year.

Middle East and America markets also enjoyed reasonable growth of 36.6% and 27.1% respectively in the second half of FY2010. After the measures taken to focus on higher margin customers, Middle East sales rebounded.

ASEAN and Australia markets remained relatively stable in the second half while Europe sales contracted marginally by 6.0% after a 50.4% growth recorded in the first half of FY2010.

For our custom-blending services, we recorded sales of S$1.5 million in the second half of FY2010, which contracted 11.4% over the first half of FY2010 as demand slowed down towards the last quarter of the financial year. As compared to the previous year, sales recovered by S$0.5 million or 17.6%.

8(a)(ii) Gross profit

Gross profit margin dipped by 0.9%-points to 20.8% as compared to the last financial year basically due to lower gross profit margin in the second half of FY2010 as a result of higher sales contribution from more competitive markets such as China and India which commanded relatively lower margins. Despite a lower gross profit margin, gross profit increased by S$4.4 million or 28.8% on the back of higher sales.

8(a)(iii) Other operating income

Other operating income decreased marginally by S$28,000 or 5.7% year-on-year primarily due to lower grant income and gain from disposal of property, plant and equipment of S$131,000 and S$35,000 respectively and foreign exchange gain recorded in FY2009 of S$12,000. Grant income related mainly to job credits received.

This was partially offset by an increase in bad debt recovered of S$130,000 and interest income of S$10,000.

Other operating income decreased in the second half of FY2010 by S$302,000 or 78.0%, as compared to the first half, primarily due to foreign exchange loss incurred, which reversed the gain recorded in the first half.

8(a)(iv) Operating expenses

Total distribution, administrative and other operating expenses amounted to S$15.0 million for the full year ended 2010 which was an increase of S$2.2 million or 17.0% as compared to the previous financial year.

The main variances in our operating expenses were as follows:

	For the full year ended 31 December 2010 S$'000	For the full year ended 31 December 2009 S$'000	Variance Fav/(Unfav) S$'000	%
Advertising and entertainment	**280**	171	(109)	(63.8%)
Changes in fair value of financial liabilities	**11**	29	18	60.8%
Depreciation of property, plant and equipment	**633**	580	(53)	(9.1%)
Employee remuneration and related expenses	**8,381**	7,546	(835)	(11.1%)
Foreign exchange loss	**370**	-	(370)	(100.0%)
Impairment of doubtful trade receivables	**111**	233	122	52.3%
Professional fees	**614**	386	(228)	(59.1%)
Travelling and transport expenses	**712**	562	(150)	(26.6%)
Rental for operating leases	**1,431**	1,174	(257)	(21.9%)

Year-on-year, the increase in operating expenses such as advertising and entertainment, travelling and transport charges and employee remuneration was directly related to the pick up in business activities. Correspondingly, higher inventory holding led to an increase in rental expenses.

The increase in employee remuneration was mainly attributed to higher variable rewards in line with better performance of FY2010 while the increase in depreciation of property, plant and equipment was primarily due to motor vehicle purchased in the current financial year.

As the economic environment improved, credit exposure to our customers improved leading to lower allowance for impairment for trade receivables made in FY2010.

Professional fees also increased in the current year and this was mainly due to incorporation expenses of new subsidiary in Vietnam, closure costs for representative offices, consultant fees for business continuity management program, design fees for corporate brochures as well as listing sponsor fees incurred in FY2010.

As compared to the first half of FY2010, overall operating expenses (including foreign exchange loss of S$0.4 million) in the second half increased by S$0.8 million or 11.0% to S$7.9 million. The increase was mainly due to foreign exchange loss incurred from the depreciation of Vietnamese dong (the "Dong"). The other increases in the second half related to travelling expenses and rental expenses.

8(a)(v) Finance costs

Finance costs comprised the following:-

	For the full year ended 31 December 2010 S$'000	For the full year ended 31 December 2009 S$'000
Finance costs		
Bills payable to banks	**134**	192
Short term loan	**6**	37
Hire purchase	**9**	8
Others	**-**	-
	149	237

Finance costs decreased by S$88,000 or 37.0% due to lower borrowings in the first quarter of FY2010.

As compared to the first half of FY2010, finance costs in the second half of FY2010 increased by S$66,000 as borrowings increased in the last quarter of FY2010.

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

Our associated companies achieved record half yearly profit of S$0.6 million in the second half of FY2010, an increase of S$0.2 million or 38.6% due to higher sales and gross profit margin in an improved market condition. As a result, the share of profit in FY2010 was S$0.4 million or 62.0% higher than the previous financial year.

8(a)(vii) Profit before income tax

On the back of record full year sales of S$95.0 million and higher profitability from our associated companies, we achieved a record profit before income tax of S$6.2 million for FY2010, which represented an increase of S$2.7 million or 78.6% over the last financial year.

Against first half of FY2010, profit before tax for the second half contracted by S$0.9 million or 25.2% despite the higher sales primarily due to lower gross profit margin, lower other income, higher operating expenses and foreign exchange loss incurred.

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

Consistent with 8(a)(vii) above, profit for the year attributable to the equity holders of the Company increased by S$2.0 million or 75.5% year-on-year to S$4.6 million. Profit attributable to equity holders in the second half of FY2010 compared to the first half declined by S$0.7 million or 25.9%.

8(b) BALANCE SHEET ANALYSIS

Third party trade receivables of S$22.8 million as at 31 December 2010 was relatively unchanged as compared to S$23.0 million as at 30 June 2010. This was primarily due to faster collection in the second half of FY2010, with turnover days at 86 days as compared to 91 days in the first half of FY2010, though sales were higher in the second half. However, as compared to third party trade receivables balance of S$21.0 million as at 31 December 2009, trade receivables as at 31 December 2010 increased by S$1.8 million. This was in line with substantially higher sales in the second half of FY2010 as compared to the same period in FY2009. Trade receivable turnover days for FY2010 improved to 86 days as compared to 106 days for FY2009.

As inventory purchases and turnover days in the second half of FY2010 remained relatively the same as compared to the first half of FY2010, inventory increased marginally to S$18.2 million as at 31 December 2010 as compared to S$17.7 million as at 30 June 2010. On the other hand, as compared to the last financial year, inventory increased considerably by S$4.1 million from S$14.1 million as at 31 December 2009 mainly due to the increasing raw material prices and more aggressive purchases in the current financial year. Inventory turnover days for FY2010 had also improved to 84 days against 103 days for the last financial year.

Other current assets, which consist mainly of advances to suppliers, increased by S$0.6 million from S$1.9 million as at 31 December 2009 to S$2.5 million as at 31 December 2010. Trade and other payables and borrowings increased from S$8.8 million and S$6.8 million as at 31 December 2009 to S$10.7 million and S$9.7 million as at 31 December 2010 respectively. This led to an increase in our gearing ratio from 0.20 to 0.27, though it remains relatively low. The increase in other current assets, trade and other payables and borrowings resulted from an increase in purchases.

The decline in financial liabilities held for trading was due to lower unfavourable fair values of forward foreign exchange contracts outstanding as at 31 December 2010 compared to 31 December 2009 as these were mark-to-market.

Cash and bank balances and liquidity position remained relatively stable as compared to the last financial year.

The increase in investment in associated companies from S$3.2 million as at 31 December 2009 to S$4.2 million as at 31 December 2010 resulted from the better performance of our associated companies in the current financial year.

Net asset per share increased from 25.00 cents as at 31 December 2009 to 27.07 cents as at 31 December 2010 primarily due to the increase in net income for the current financial year.

8(c) CASH FLOW

Cash flow was fairly strong in the second half of FY2010 as a result of higher sales and better collection despite continued high inventory purchases. The positive operating cash flow generated of S$1.9 million was then partially offset by the payment of interim dividend of S$0.7 million and investment in property, plant and equipment of S$0.6 million. Hence, cash and cash equivalents increased by S$0.5 million between 30 June 2010 and 31 December 2010.

As compared to the previous financial year, cash and cash equivalents increased marginally by S$0.2 million to S$6.8 million as at 31 December 2010. Bank borrowings were used to fund the higher inventory purchases while the other cash funding requirements for the purchases of property, plant and equipment and dividend payments were met through operating cash flow.

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

In our earnings announcement for the first 6 months period ended 30 June 2010, we reported that ”although there remain risks regarding a self- sustaining, lasting upturn in the global economy, overall we expect results for the full year of 2010 to improve considerably over 2009.” The actual results of FY2010 are thus in line with our 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

Achievements in FY2010 represent another successful step towards realizing our long term objective of steady sustainable growth. As the global economy recovered, we benefited from the favourable industry trends. Demand for our products and value-added services improved across most of our major market segments, leading to record level of sales and profitability in FY2010.

Compelling Potential

We believe FY2010 also marked the beginning of a new growth cycle for us. The global footprint which has been laid over the years has positioned us firmly for sustained growth in FY2011 and the coming years. Our strong business fundamentals coupled with the larger base of customers and products will provide further support to future growth.

In FY2011, we will also channel our resources towards greater market penetration and wider industry coverage. Our custom-blending activities will likely continue to benefit from the increasing outsourcing trend in the industry. Improving volumes on operating leverage should become more evident in the coming years leading to increased profitability. We will remain focused on our strategic goals to realize the full potential of our business model and driving efficiency across our Group's operations.

The chemical industry for FY2011 is likely to continue its growth in line with economic growth albeit at a more moderate pace. In a favourable external environment, we believe our business will continue to do well. Taking all factors into consideration and barring any unforeseen circumstances, we believe further earnings growth in FY2011 is within our reach.

RISK FACTORS

We believe the imminent risks to our financial performance in FY2011 are as follows:

Continuing financial and debt crisis in Europe

The austerity measures implemented following the debt crisis in Europe may hinder its economic recovery. Although the fallout from the Europe debt crisis has not had a significant impact on our business so far, the future repercussions thereafter remain uncertain.

Volatile raw materials markets

Although we see positive trends in the industry, both on the volume and pricing side, volatility in energy prices may affect our gross profit margin.

Currency volatility

We operate internationally and therefore are exposed to foreign currency risks arising from various currency exposures. For FY2011, the United States dollar ("USD") and the Vietnamese dong (the "Dong") are 2 currencies which may be of more significance to our business. The USD is widely expected to weaken further. This may result in currency losses when our USD receivables are translated into Singapore dollar, our reporting currency. The Dong has been devalued twice in FY2010 and more recently on 11 Feb 2011 due to its huge trade deficit. We suffered some amount of currency losses arising from receivables denominated in Dong in our Vietnam operations in FY2010. Any further devaluation will have some impact on our profitability in FY2011.

Interest Rate Risk

Our interest rate risk arises mainly from short-term borrowings at floating rates. Any increase in market interest rates will increase our borrowing cost.

Credit risk

Our products are sold to more than 1,000 customers across many countries. The credit risks in some countries are more difficult to assess. Any 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.

11. Dividend

(a) Current financial year reported on

Any dividend declared (recommended) for the current financial year ended 31 December 2010? Yes

The directors are pleased to recommend a final one-tier dividend of 0.7 cents per share in respect of the financial year ended 31 December 2010 for approval by the shareholders at the next Annual General Meeting to be convened.

Name of dividend	Final (recommended)	Interim (declared)
Dividend type	Cash	Cash
Dividend amount per share (in cents)	0.7	0.5
Tax rate	Exempt	Exempt
Date payable	To be announced	21 September 2010
Book closure date	To be announced	2 September 2010

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the immediately preceding financial year ended 31 December 2009? Yes

Name of dividend	Final
Dividend type	Cash
Dividend amount per share (in cents)	1.0
Tax rate	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 2010							
Sales							
Total sales by segment	55,102	16,773	9,443	19,868	15,814		117,000
Inter-segment sales	(15,583)	(264)	(48)	(3,195)	(2,927)		(22,017)
	39,519	16,509	9,395	16,673	12,887	-	94,983
Segment result	1,549	2,140	651	774	65	-	5,179
Interest income - bank						30	30
Finance costs						(149)	(149)
Share of profit of associated companies						1,099	1,099
Profit before income tax							6,159
Income tax expense						(1,336)	(1,336)
Net profit	1,549	2,140	651	774	65	(356)	4,823
Other segment items							
Capital expenditure	389	223	87	10	80	-	789
Depreciation and amortisation	370	97	87	37	42	-	633

	Singapore	Malaysia	Indonesia	United Kingdom	Others	Unallocated	Group
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Segment assets	25,686	8,940	3,955	5,629	9,305	-	53,515
Associated companies						4,216	4,216
Fixed deposits						990	990
Consolidated total assets	25,686	8,940	3,955	5,629	9,305	5,206	58,721
Segment liabilities	(4,731)	(431)	(303)	(3,466)	(1,794)	-	(10,725)
Borrowings						(9,742)	(9,742)
Current income tax liabilities						(560)	(560)
Deferred income tax liabilities						(45)	(45)
Consolidated total liabilities	(4,731)	(431)	(303)	(3,466)	(1,794)	(10,347)	(21,072)

	Singapore S$'000	Malaysia S$'000	Indonesia S$'000	United Kingdom S$'000	Others S$'000	Unallocated S$'000	Group 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 associated 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 S$'000	Malaysia S$'000	Indonesia S$'000	United Kingdom S$'000	Others S$'000	Unallocated S$'000	Group 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)

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

	Full year ended 31 December 2010 S$'000	Full year ended 31 December 2009 S$'000
(a) Sales for the first half	**45,196**	31,904
(b) Sales for the second half	**49,787**	38,719
Increase/(decrease) H2 vs H1	***4,591***	*6,815*
Increase/(decrease) in % H2 vs H1	***10.2%***	*21.4%*
(c) Profit after tax and before attributing to minority interests for the first half	**2,818**	817
(d) Profit after tax and before attributing to minority interests for the second half	**2,004**	1,889
Increase/(decrease) H2 vs H1	***(814)***	*1,072*
Increase/(decrease) in % H2 vs H1	***(28.9%)***	*131.2%*

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 paid	**Full year ended 31 December 2010 S$**	Full year ended 31 December 2009 S$
Ordinary	**1,999,500**	533,200

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 entered into interested person transactions amounting in aggregate to S$200,275 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, SAC Capital Private Limited, 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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