



Multi-Chem Limited

(Incorporated in Singapore. Registration Number: 198500318Z)

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2018 to 31 March 2018

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

CONSOLIDATED INCOME STATEMENT

Group	3 months ended		
	31/3/2018	31/3/2017	Change
	\$'000	\$'000	%
Revenue	112,417	97,725	15
Cost of sales	(95,667)	(83,197)	15
Gross profit	16,750	14,528	15
<i>Other items of income</i>			
- Interest income	242	70	246
- Other income	284	380	(25)
<i>Other items of expense</i>			
- Selling and distribution costs	(6,604)	(6,577)	-
- Administrative expenses	(6,326)	(5,394)	17
- Finance costs	(114)	(68)	68
Profit before income tax	4,232	2,939	44
Income tax expense	(1,236)	(1,299)	(5)
Profit for the financial period	2,996	1,640	83
Profit attributable to:			
Owners of the parent	2,767	1,526	81
Non-controlling interests	229	114	101
	2,996	1,640	83
Earnings per share for profit attributable to owners of the parent during the financial period (expressed in cents per share)			
Basic	3.07 cents	1.69 cents	
Diluted	3.07 cents	1.69 cents	

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group

Profit for the financial period

Other comprehensive income for the financial period

Items that may be reclassified subsequently to profit or loss

Foreign currency differences

on translation of foreign operations

Fair value gain on

available-for-sale financial assets

Other comprehensive income for the financial period, net of tax

Total comprehensive income for the financial period

Total comprehensive income attributable to:

Owners of the parent

Non-controlling interests

3 months ended		
31/3/2018	31/3/2017	Change
\$'000	\$'000	%
2,996	1,640	83
(17)	(2,206)	(99)
-	27	(100)
(17)	(2,179)	(99)
2,979	(539)	(653)
2,899	(383)	(857)
80	(156)	(151)
2,979	(539)	(653)

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

NOTES TO CONSOLIDATED INCOME STATEMENT

The profit before income tax is arrived at after (charging)/crediting:

Group	3 months ended		
	31/3/2018 \$'000	31/3/2017 \$'000	Change %
Other gains	211	379	(44)
Interest income	242	70	246
Interest expense	(114)	(68)	68
Amortisation of club memberships	(6)	(3)	100
Depreciation of property, plant and equipment	(647)	(728)	(11)
Allowance reversed/(made) for doubtful third parties trade receivables	4	(9)	(144)
Allowance for inventory obsolescence	(224)	(258)	(13)
Inventory written off	(5)	(19)	(74)
Foreign exchange loss, net	(1,058)	(19)	5,468
Gain on disposals of plant and equipment	36	1	3,500
Plant and equipment written off	(1)	(1)	-
Fair value change in investment in life insurance plan	28	-	100
Fair value change in derivative financial instruments	5	(4)	(225)

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement*For the financial period from 1 January 2018 to 31 March 2018***STATEMENTS OF FINANCIAL POSITION**

	Group		Company	
	31/3/2018	31/12/2017	31/3/2018	31/12/2017
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	10,520	10,571	1,726	1,784
Investment properties	-	-	2,567	2,581
Investments in subsidiaries	-	-	24,432	24,432
Club memberships	517	525	186	186
Deferred tax assets	2,342	2,415	-	-
Investment in life insurance plan	4,045	4,092	4,045	4,092
Trade receivables	772	320	-	-
Prepayment	531	552	531	552
	18,727	18,475	33,487	33,627
Current assets				
Inventories	34,767	31,391	245	355
Trade and other receivables	99,063	100,953	33,642	34,134
Prepayments	1,023	644	137	143
Current income tax recoverable	2,270	1,575	199	199
Cash and cash equivalents	72,391	76,825	10,565	12,901
	209,514	211,388	44,788	47,732
Less:				
Current liabilities				
Trade and other payables	85,841	91,466	1,240	2,735
Finance lease payables	12	29	12	29
Bank borrowings	24,664	24,373	14,821	16,883
Current income tax payable	2,350	1,452	-	-
Derivative financial instruments	2	7	-	-
	112,869	117,327	16,073	19,647
Net current assets	96,645	94,061	28,715	28,085
Less:				
Non-current liabilities				
Other payables	2,440	1,988	-	-
Bank borrowings	1,176	1,310	1,176	1,310
Provision for post-employee benefits	302	308	-	-
Deferred tax liabilities	67	65	-	-
	3,985	3,671	1,176	1,310
	111,387	108,865	61,026	60,402
Equity				
Share capital	37,288	37,288	37,288	37,288
Foreign currency translation reserve	632	500	-	-
Available-for-sale reserve	-	470	-	470
Other reserves	5,222	5,222	-	-
Retained earnings	60,141	57,308	23,738	22,644
Equity attributable to owners of the parent	103,283	100,788	61,026	60,402
Non-controlling interests	8,104	8,077	-	-
Total equity	111,387	108,865	61,026	60,402

* The Group has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)") framework for the financial year ending 31 December 2018. Please refer to pages 9 and 10 for more details.

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement*For the financial period from 1 January 2018 to 31 March 2018***CONSOLIDATED STATEMENT OF CASH FLOWS**

	3 months ended	
	31/3/2018	31/3/2017
	\$'000	\$'000
OPERATING ACTIVITIES		
Profit before income tax	4,232	2,939
Adjustments for:		
- Allowance (reversed)/made for doubtful third parties trade receivables	(4)	9
- Allowance made for inventory obsolescence	224	258
- Amortisation of club memberships	6	3
- Depreciation of property, plant and equipment	647	728
- Fair value change in investment in life insurance plan	(28)	-
- Fair value change in derivative financial instruments	(5)	4
- Gain on disposals of plant and equipment	(36)	(1)
- Interest expense	114	68
- Interest income	(242)	(70)
- Inventory written off	5	19
- Plant and equipment written off	1	1
- Unrealised foreign exchange loss	1,233	21
Operating cash flows before working capital changes	6,147	3,979
Working capital changes:		
- Inventories	(4,085)	3,436
- Trade and other receivables	(950)	(9,214)
- Prepayments	(358)	259
- Trade and other payables	(3,155)	1,349
Cash generated from operations	(2,401)	(191)
Interest received	242	70
Income tax paid	(1,040)	(570)
Net cash used in operating activities	(3,199)	(691)

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	3 months ended	
	31/3/2018	31/3/2017
	\$'000	\$'000
INVESTING ACTIVITIES		
Proceeds from disposals of plant and equipment	121	4
Purchase of plant and equipment	(603)	(597)
Net cash used in investing activities	<u>(482)</u>	<u>(593)</u>
FINANCING ACTIVITIES		
Decrease/(Increase) in fixed deposits pledged	1,442	(13,364)
Proceeds from bank borrowings	26,601	20,011
Repayments of bank borrowings	(26,550)	(14,275)
Repayments of finance lease payables	(17)	(40)
Interest paid	(114)	(68)
Net cash from/(used in) financing activities	<u>1,362</u>	<u>(7,736)</u>
Net change in cash and cash equivalents	(2,319)	(9,020)
Cash and cash equivalents at beginning of financial period	57,152	49,990
Effects of exchange rate changes on cash and cash equivalents	(544)	(969)
Cash and cash equivalents at end of financial period (Note 1)	<u><u>54,289</u></u>	<u><u>40,001</u></u>

Note 1

Cash and cash equivalents at end of financial period comprise of:

Cash and cash equivalents as per Statement of Financial Position	72,391	54,148
Less: Fixed deposits pledged with banks	(18,102)	(14,147)
	<u><u>54,289</u></u>	<u><u>40,001</u></u>

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

STATEMENTS OF CHANGES IN EQUITY

Group	Share capital \$'000	Foreign currency translation reserve \$'000	Premium on acquisition of non-controlling interests \$'000	Available-for-sale reserve \$'000	Statutory reserve \$'000	Retained earnings \$'000	Equity attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2018	37,288	500	(123)	470	5,345	57,308	100,788	8,077	108,865
Effect on adoption of SFRS(I) 9 (Note 1 and 2)	-	-	-	(470)	-	66	(404)	(53)	(457)
Profit for the financial period	-	-	-	-	-	2,767	2,767	229	2,996
Other comprehensive income for the financial period									
Foreign currency differences on translation of foreign operations	-	132	-	-	-	-	132	(149)	(17)
Total comprehensive income for the financial period	-	132	-	-	-	2,767	2,899	80	2,979
Balance at 31 March 2018	37,288	632	(123)	-	5,345	60,141	103,283	8,104	111,387
Balance at 1 January 2017	37,288	3,433	(123)	341	5,345	50,388	96,672	7,894	104,566
Profit for the financial period	-	-	-	-	-	1,526	1,526	114	1,640
Other comprehensive income for the financial period									
Foreign currency differences on translation of foreign operations	-	(1,936)	-	-	-	-	(1,936)	(270)	(2,206)
Fair value gain on available-for-sale financial assets	-	-	-	27	-	-	27	-	27
Total comprehensive income for the financial period	-	(1,936)	-	27	-	1,526	(383)	(156)	(539)
Balance at 31 March 2017	37,288	1,497	(123)	368	5,345	51,914	96,289	7,738	104,027

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement*For the financial period from 1 January 2018 to 31 March 2018***STATEMENTS OF CHANGES IN EQUITY (Continued)**

Company	Share capital \$'000	Retained earnings \$'000	Available-for- sale reserve \$'000	Total equity \$'000
Balance at 1 January 2018	37,288	22,644	470	60,402
Effect on adoption of SFRS(I) 9 (Note 1)	-	470	(470)	-
Profit for the financial period	-	624	-	624
Total comprehensive income for the financial period	-	624	-	624
Balance at 31 March 2018	37,288	23,738	-	61,026
Balance at 1 January 2017	37,288	26,069	341	63,698
Profit for the financial period	-	285	-	285
Other comprehensive income for the financial period	-	-	-	-
Fair value gain on available-for-sale financial assets	-	-	27	27
Total comprehensive income for the financial period	-	285	27	312
Balance at 31 March 2017	37,288	26,354	368	64,010

Note 1:

Under SFRS(I) 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognized in profit or loss except for certain equity investments, for which the Group can elect to recognize the gains and losses in other comprehensive income.

On adoption of SFRS(I) 9 on 1 January 2018, the investment in life insurance plan previously classified as available-for-sale financial assets at fair value through other comprehensive income ("AFS") has been measured at fair value through profit or loss. The cumulative fair value changes in the AFS reserve of \$470,000 has been reclassified to retained earnings as at 1 January 2018 and subsequent fair value changes has been recognised in profit or loss.

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

STATEMENTS OF CHANGES IN EQUITY (Continued)

Note 2:

SFRS(I) 9 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk from initial recognition. The new impairment requirements resulted in increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group has adopted the simplified model for its trade receivables and recorded an allowance for lifetime expected losses from initial recognition.

Upon application of the expected credit loss model, the impairment loss allowance on trade and other receivables as at 1 January 2018 has increased by \$457,000 at the Group level. There is no impact on the Company level.

The changes in accounting policies resulting from the adoption of SFRS(I) 9 should be applied by the Group retrospectively. However, the Group applied the short-term exemption under SFRS(I) 1 to adopt SFRS(I) 9 on 1 January 2018. Therefore, the financial instruments recognized for the financial year ended 31 December 2017 was measured in accordance with FRS39 and the comparative information in the financial statement for financial year ending 31 December 2018 would not need to be restated. The differences in the carrying amounts of financial assets resulting from the adoption of SFRS(I) 9 are recognized in retained earnings as at 1 January 2018.

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

A review of the financial performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonable or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

REVENUE

The Group achieved revenue of \$112.4m for the three months ended 31 March 2018 ("1Q2018"), an increase of 15.0% or \$14.7m compared to the revenue of \$97.7m for the three months ended 31 March 2017 ("1Q2017").

Comparing 1Q2018 to three months ended 31 December 2017 ("4Q2017"), the Group revenue decreased by 5.5% or \$6.5m, from \$118.9m to \$112.4m, mainly due to a traditionally slower first quarter.

For 1Q2018, the IT Division accounted for 98.0% of the Group's revenue, while the PCB Division accounted for the remaining 2.0% of the Group's revenue.

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

REVENUE

PCB Division

Revenue in this Division decreased by 60.7% or \$3.4m, from \$5.6m in 1Q2017 to \$2.2m in 1Q2018. The decrease in revenue was mainly due to significantly reduced production capacity resulting from the disposal of 103 CNC drilling machines in China during year 2017.

Comparing 1Q2018 to 4Q2017, revenue in this Division decreased by 21.4% or \$0.6m from \$2.8m in 4Q2017 to \$2.2m in 1Q2018. The decrease was mainly due to lower demand from customers.

IT Division

The IT Distribution business achieved quarterly revenue of \$110.2m in 1Q2018, an increase of 19.7% or \$18.1m, from \$92.1m in 1Q2017, mainly due to certain big deals closed during 1Q2018.

Comparing 1Q2018 to 4Q2017, revenue decreased by 5.1% or \$5.9m, from \$116.1m in 4Q2017 to \$110.2m in 1Q2018, mainly due to a traditionally slower first quarter.

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

PROFIT BEFORE TAX (“PBT”)

The Group registered a PBT of \$4.2m in 1Q2018, as compared to \$2.9m in 1Q2017.

The increase in PBT was mainly due to the following:-

- (1) An increase of \$2.2m in gross profit mainly due to the increase in revenue;
- (2) A decrease in depreciation charge from \$728,000 in 1Q2017 to \$647,000 in 1Q2018, mainly due to plant and machineries disposed during year 2017 and some of the plant and machineries are already fully depreciated;
- (3) Fair value gain of \$28,000 in investment in life insurance plan in 1Q2018. There is no such fair value gain in 1Q2017 as the investment was classified as available-for-sale financial assets with fair value changes recognized in other comprehensive income in 1Q2017. With effect from 1 January 2018, the investment in life insurance plan is measured at fair value through profit or loss on adoption of SFRS(I) 9; and
- (4) An increase in interest income of \$172,000 from \$70,000 in 1Q2017 to \$242,000 in 1Q2018 mainly due to more fixed deposits placed with the financial institutions.

The increase in PBT was however pared by the following:

- (1) An increase in interest expense of \$46,000 from \$68,000 in 1Q2017 to \$114,000 in 1Q2018, mainly due to more loans drawn down to support the Group’s operating expenses;
- (2) An increase in net foreign exchange loss of \$1.0m from \$19,000 in 1Q2017 to \$1.1m 1Q2018 mainly due to continuing depreciation of United States dollar against Singapore dollar and other local currencies in 1Q2018. Excluding net foreign exchange differences, the Group reported a PBT of \$5.3m in 1Q2018, compared to a PBT of \$3.0m in 1Q2017; and
- (3) A decrease in other gain from \$379,000 in 1Q2017 to \$211,000 in 1Q2018, mainly due to higher scrap sales and commission income in 1Q2017.

Comparing 1Q2018 to 4Q2017, the Group PBT stood at \$4.2m in 1Q2018 as compared to \$6.1m in 4Q2017, mainly due to lower sales in 1Q2018 as compared to 4Q2017 and the increase in net foreign exchange loss from \$62,000 in 4Q2017 to \$1.0m in 1Q2018.

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

PROFIT AFTER TAX (“PAT”)

Group PAT increased from a profit of \$1.6m in 1Q2017 to a profit of \$3.0m in 1Q2018. Comparing 1Q2018 to 4Q2017, Group PAT decreased from a profit of \$5.0m in 4Q2017 to a profit of \$3.0m in 1Q2018. This was largely in line with the changes in PBT.

Income tax expenses comprised mainly current income tax, deferred tax and withholding tax expenses of the Group.

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

STATEMENTS OF FINANCIAL POSITION REVIEW

Presented below is a review of material changes in the key statements of financial position items for the financial year ended 31 March 2018.

Investment in life insurance plan at both Group and Company level refers to the financial asset previously classified as Available-for-sale financial assets at fair value through other comprehensive income. On adoption of SFRS(I) 9 as at 1 January 2018, the investment in life insurance plan is measured at fair value through profit or loss.

Cash and cash equivalents at the Group level decreased by \$4.4m from \$76.8m to \$72.4m. The decrease was mainly due to the increase in inventories and payments made to vendors. At the Company level, cash and cash equivalents decreased from \$12.9m to \$10.6m mainly due to repayments of bank borrowings at the Company level.

Trade and other receivables of the Group decreased by \$1.5m from \$101.3m to \$99.8m, mainly due to lower revenue attained in 1Q2018 as compared to 4Q2017. At the Company level, trade and other receivables decreased by \$0.5m from \$34.1m to \$33.6m, mainly due to repayment received from a subsidiary.

Inventories at the Group level increased by \$3.4m from \$31.4m to \$34.8m mainly due to increased purchases to cater for contracts not yet fulfilled.

Current income tax recoverable increased by \$0.7m from \$1.6m to \$2.3m at the Group level mainly due to the increase in tax deducted at source in 1Q2018. There was no change at the Company level.

Trade and other payables decreased by \$5.2m from \$93.5m to \$88.3m at the Group level due mainly to payments made to vendors. At the Company level, trade and other payables decreased from \$2.7m to \$1.2m mainly due to accrued operating expenses paid off in 1Q2018.

Borrowings remained relatively unchanged at Group level. At Company level, borrowings decreased from \$18.2m to \$16.0m mainly due to repayments made to the financial institutions.

Current income tax payable increased by \$0.9m from \$1.5m to \$2.4m at the Group level mainly due to the profit attained in 1Q2018.

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

CASH FLOW ANALYSIS

Net cash of \$3.2m was used in operating activities in 1Q2018, as compared to net cash of \$691,000 used in 1Q2017. This was mainly due to increased purchase of inventories to cater for contracts not yet fulfilled and increase in both trade receivables and trade payables owing to the higher business volume.

Net cash of \$482,000 was used in investing activities in 1Q2018, as compared to \$593,000 used in 1Q2017. The change was mainly due to purchase of plant and equipment of \$603,000, net of proceeds from disposal of plant and equipment of \$121,000 in 1Q2018, as compared to purchase of plant and equipment of \$597,000, net of proceeds from disposals of plant and equipment of \$4,000 in 1Q2017.

Net cash of \$1.4m was generated from financing activities in 1Q2018 as compared to \$7.7m used in 1Q2017. This was mainly due to proceeds from bank borrowings of \$26.6m, a lift in fixed deposits pledged of \$1.4m, net of repayment of bank borrowings of \$26.6m in 1Q2018, as compared to repayment of bank borrowings of \$14.3m, an increase in pledged fixed deposits of \$13.4m, net of proceeds from bank borrowings of \$20.0m in 1Q2017.

Cash and cash equivalents stood at \$54.3m as at end of 31 March 2018, up from \$40.0m as at the end of 31 March 2017.

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

A commentary at the date of the announcement of the 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 twelve months.

PCB

Comparing 1Q2018 to 1Q2017, the revenue for this quarter decreased by 60.7% or \$3.4m, from \$5.6m in 1Q2017 to \$2.2m in 1Q2018. The decrease was mainly due to significantly reduced production capacity resulting from the disposal of 103 CNC drilling machines in China during year 2017.

As at 31 March 2018, the Group has 29 mechanical drilling machines and 20 laser drilling machines. The Group will continue to be selective of its customers, rationalise operations, manage headcount and conserve cash.

IT

The IT business through Singapore and the regional offices achieved an increase in revenue of 19.7% or \$18.1m from \$92.1m in 1Q2017 to \$110.2m in 1Q2018. The increase in revenue is mainly due to certain big deals closed during 1Q2018.

The Group has a focused strategy of selling and promoting only the best-of-breed IT products. Among the products the Group currently carries are industry-leading IT products from Symantec, Check Point, Cyberark, Imperva, Riverbed and RSA.

To promote technical competency internally and to train its partners, the Group is able to provide certified IT training through the Education Services Division of M.Tech Products Pte Ltd, which is authorised to conduct training for Allot, Symantec and Check Point courses. This business is complementary to the core IT distribution business and is expected to bring about more awareness and technical knowledge through the courses conducted.

As at 31 March 2018, the Group's IT business has a presence in 29 cities in 15 countries in the Asia Pacific region and Europe. M.Tech offices in countries that are already mature in operations are expected to contribute more to the Group's performance.

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

IT (Continued)

The near term outlook in the IT business is dependent on events such as those political or economic in nature and such events could affect business in certain markets. Global economic outlook remains uncertain which will in turn affect the Group's business. With the recent increase in US interest rates, the cost of business is expected to similarly increase. However, IT is still a critical requirement in businesses and security will continue to remain an integral part of the IT infrastructure. This should augur well for the Group as more efforts are put into growing the IT business.

For growth, the Group will focus on its best-of-breed products and will continue to look out for opportunities for regional expansion. The Group will also be selective of the products we carry so as to be able to do the best for the principals that the M.Tech companies represent. The Group will also promote the M.Tech brand name and intends to work closely with key partners to further promote the products.

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

Risk Factors

The Group's primary business risk is in its IT business. In the area of IT business, the Group is subject to risk of reliance on a few key vendors, with respect to their channel strategies, as well as product roadmap. The Group is also exposed to the risks of product obsolescence with respect to the hardware carried. Despite such risks, the Group has taken steps to align with the leading names in the IT arena and as such, there is a good probability that such companies will take steps to ensure that their products maintain the technological edge. The Group monitors its inventories on a quarterly basis and will make allowances where necessary.

The Group is also exposed to foreign exchange risks as we mainly transact with our suppliers, vendors and customers in Singapore dollar, US dollar, Chinese renminbi, Australian dollar, Thailand baht, Malaysian ringgit, Indian rupee, Indonesian rupiah, Taiwan dollar, Hong Kong dollar, and to a lesser extent, Euro, Philippines peso, Korean won, Japanese yen, Vietnam dong, New Zealand dollar and British Pound. The Group may, from time to time, enter into borrowing and foreign currency arrangements to reduce its foreign currency exposure. The Group expects to be exposed to a higher foreign exchange risk with the current volatility of the US dollar against some of the local currencies we collect from the customers.

The Group is also exposed to the political, legal and economic climates of the country in which the Group is operating. Economic and political conditions are still key factors in determining the level of IT spending.

In the area of PCB business, the Group's risk is the exposure to the electronics products sector. Our customers are PCB manufacturers, most of which will be exposed to the cyclical nature of the electronics business. Any downturn in the electronics cycle will result in a cutback in outsourcing, which will impact the Group negatively.

The Group's success in the China market will depend on our ability to maintain our technological, quality assurance, capacity and pricing advantage over our competitors. Additionally, we have to monitor trade receivables closely as collection generally takes longer in China. The Group is tightening the credit assessment on customers for all regions.

Multi-Chem Limited
Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

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

The actual results for 1Q2018 were largely in line with the prospect commentary disclosed to the shareholders on 9 February 2018.

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

1. AGGREGATE AMOUNT OF GROUP'S BORROWINGS AND DEBT SECURITIES

Amount repayable in one year or less, or on demand

As at 31 Mar 2018		As at 31 Dec 2017	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
14,476	10,200	16,248	8,154

Amount repayable after one year

As at 31 Mar 2018		As at 31 Dec 2017	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
1,176	-	1,310	-

Additional information and details of any collateral

The secured borrowings are secured on the Group's one motor vehicle, investment in life insurance plan and fixed deposits placed with the financial institutions.

2. SHARE CAPITAL

Group	Issued shares '000	Share capital \$'000	Total share capital \$'000
Balance at 1 Jan 2018 and 31 Mar 2018	90,095	37,288	37,288
Balance at 1 Jan 2017 and 31 Mar 2017	90,095	37,288	37,288

3. A statement showing all sales, transfers, disposal, cancellation and/or issue of treasury shares as at the end of the current financial period reported on.

Not applicable.

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2018 to 31 March 2018

NOTES TO THE FINANCIAL STATEMENTS

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

The Group's financial statements for the current reporting period have been prepared in accordance with the Financial Reporting Standards in Singapore ("FRS") including related Interpretations of FRS.

Other than the adoption of various revisions to the FRS, which became effective during the current financial period and adoption of the new financial reporting framework Singapore Financial Reporting Standards (International) ("SFRS(I)s") on 1 January 2018 (including the application of all the mandatory exceptions), there was no change in accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the financial year ended 31 December 2017.

On the adoption of SFRS(I)s on 1 January 2018, the Group has assessed that there is no material impact on the financial statements for the current financial period except for the impact from the adoption of SFRS(I) 9, which is disclosed in the Statements of Changes in Equity for the Group and for the Company on pages 9 and 10 of this announcement.

5. If there are any changes in 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.

Please refer to Note 1 and 2 on pages 9 and 10 of this announcement.

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

The figures presented in the announcement have not been audited or reviewed by our auditors.

7. Where the figures have been audited or reviewed, the auditor's report (including any qualification of emphasis of a matter).

Not applicable.

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement*For the financial period from 1 January 2018 to 31 March 2018***NOTES TO THE FINANCIAL STATEMENTS**

8. **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.**

<u>Group</u> Earnings per share attributable to owners of the parent during the financial period (expressed in cents per share)	3 months ended	
	31-Mar-2018	31-Mar-2017
(i) Based on weighted average number of shares	3.07 cents	1.69 cents
- Weighted average number of shares ('000)	90,095	90,095
(ii) On fully diluted basis	3.07 cents	1.69 cents
- Adjusted weighted average number of shares ('000)	90,095	90,095

9. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	Group		Company	
	31-Mar-2018	31-Dec-2017	31-Mar-2018	31-Dec-2017
Net asset value per share based on existing issued share capital as at the respective period	114.64 cents	111.87 cents	67.74 cents	67.04 cents

The net asset value per ordinary share at the end of the current period and the immediately preceding financial year have been calculated based on 90,095,000 ordinary shares.

10. DIVIDEND**(a) Current Financial Period Reported On**

No dividend has been declared/recommended for the financial period ended 31 March 2018.

(b) Dividend for financial period ended 31 March 2017

No dividend was declared/ recommended for the financial period ended 31 March 2017.

11. **If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions. If no IPT mandate has been obtained, a statement to that effect.**

There is no general mandate from shareholders for IPTs obtained.

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement*For the financial period from 1 January 2018 to 31 March 2018*

NOTES TO THE FINANCIAL STATEMENTS

- 12. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

The Company confirmed that it has procured undertakings from all its directors and executive officer under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Foo Suan Sai
Chief Executive Officer
26 April 2018

Negative assurance confirmation on interim financial results under SGX Listing Rule 705(5) of the Listing Manual

We, Foo Suan Sai and Han Juat Hoon, being two Directors of Multi-Chem Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the first quarter ended 31 March 2018 to be false or misleading in any material aspects.

On behalf of the Board of Directors

Foo Suan Sai
Chief Executive Officer
Singapore, 26 April 2018

Han Juat Hoon
Chief Operating Officer
Singapore, 26 April 2018