



Multi-Chem Limited

(Incorporated in Singapore. Registration Number: 198500318Z)

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2016 to 30 June 2016

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement*For the financial period from 1 January 2016 to 30 June 2016***CONSOLIDATED INCOME STATEMENT**

Group	3 months ended			6 months ended		
	6/30/2016	6/30/2015	Change	6/30/2016	6/30/2015	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	80,344	85,130	(6)	173,019	167,157	4
Cost of sales	(66,999)	(70,171)	(5)	(145,019)	(139,765)	4
Gross profit	13,345	14,959	(11)	28,000	27,392	2
Other items of income						
- Interest income	158	120	32	228	262	(13)
- Other income	807	(647)	(225)	1,297	916	42
Other items of expense						
- Selling and distribution costs	(5,966)	(4,915)	21	(11,409)	(11,289)	1
- Administrative expenses	(5,831)	(6,261)	(7)	(12,163)	(11,604)	5
- Finance costs	(144)	(161)	(11)	(271)	(323)	(16)
- Share of results of an associate, net of tax	-	-	-	-	(30)	(100)
Profit before income tax	2,369	3,095	(23)	5,682	5,324	7
Income tax expense	(725)	(710)	2	(1,851)	(1,417)	31
Profit for the financial period	1,644	2,385	(31)	3,831	3,907	(2)
Profit attributable to:						
Owners of the parent	1,418	2,218	(36)	3,346	3,432	(3)
Non-controlling interests	226	167	35	485	475	2
	1,644	2,385	(31)	3,831	3,907	(2)
Earnings per share for profit attributable to owners of the parent during the financial period (expressed in cents per share)						
Basic	1.57 cents	2.46 cents		3.71 cents	3.81 cents	
Diluted	1.57 cents	2.46 cents		3.71 cents	3.81 cents	

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Interim Financial Statements and Dividend Announcement*For the financial period from 1 January 2016 to 30 June 2016***CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Group	3 months ended			6 months ended		
	30/6/2016	30/6/2015	Change	30/6/2016	30/6/2015	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Profit for the financial period	1,644	2,385	(31)	3,831	3,907	(2)
Other comprehensive income for the financial period						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Foreign currency differences						
on translation of foreign operations	(864)	(1,750)	(51)	(4,227)	1,047	(504)
Fair value gain on						
available-for-sale financial assets	48	46	4	80	79	1
Other comprehensive income for the financial period, net of tax	(816)	(1,704)	(52)	(4,147)	1,126	(468)
Total comprehensive income for the financial period	828	681	22	(316)	5,033	(106)
Total comprehensive income attributable to:						
Owners of the parent	591	621	(5)	(493)	4,464	(111)
Non-controlling interests	237	60	295	177	569	(69)
	828	681	22	(316)	5,033	(106)

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NOTES TO CONSOLIDATED INCOME STATEMENT

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

Group	3 months ended			6 months ended		
	30/6/2016	30/6/2015	Change	30/6/2016	30/6/2015	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Other gains	497	592	(16)	987	916	8
Interest income	158	120	32	228	262	(13)
Interest expense	(144)	(161)	(11)	(271)	(323)	(16)
Amortisation of club memberships	(1)	-	Nm	(3)	-	Nm
Depreciation of property, plant and equipment	(587)	(962)	(39)	(1,147)	(2,539)	(55)
Allowance reversed/(made) for doubtful third parties trade receivables	620	(963)	(164)	310	(1,245)	(125)
Doubtful third parties trade receivables written off	-	(12)	Nm	-	(12)	Nm
Allowance for inventory obsolescence	(285)	(251)	14	(856)	(1,232)	(31)
Inventories written off	(4)	-	Nm	(4)	(40)	(90)
Foreign exchange loss, net	(744)	(1,324)	(44)	(1,452)	(94)	1,445
Loss on disposals of plant and equipment	(92)	(28)	229	(105)	(19)	453
Plant and equipment written off	-	(17)	Nm	-	(18)	Nm
Fair valuse change in derivative financial instrument	104	-	Nm	(147)	-	Nm

Nm : Not meaningful

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STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	30/6/16	31/12/15	30/6/16	31/12/15
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	18,775	20,673	3,079	3,719
Investment properties	-	-	2,664	1,684
Investments in subsidiaries	-	-	31,299	31,299
Club memberships	549	572	186	186
Deferred tax assets	2,263	2,386	-	-
Available-for-sale financial assets	3,941	4,047	3,941	4,047
Other receivables	538	705	-	-
Prepayment	678	720	678	720
	26,744	29,103	41,847	41,655
Current assets				
Inventories	19,066	29,486	375	323
Trade and other receivables	75,481	87,012	37,433	31,769
Prepayments	1,206	1,707	223	228
Current income tax recoverable	3,055	3,051	199	199
Derivative financial instruments	-	17	-	-
Cash and cash equivalents	49,500	36,697	5,955	2,361
	148,308	157,970	44,185	34,880
Less:				
Current liabilities				
Trade and other payables	53,717	65,664	1,802	1,749
Finance lease payables	177	191	160	160
Bank borrowings	22,787	19,808	16,787	7,041
Current income tax payable	484	653	-	-
Derivative financial instruments	29	45	27	45
	77,194	86,361	18,776	8,995
Net current assets	71,114	71,609	25,409	25,885
Less:				
Non-current liabilities				
Finance lease payables	75	146	67	146
Bank borrowings	2,168	2,643	2,168	2,643
Provision for post-employee benefits	209	219	-	-
	2,452	3,008	2,235	2,789
	95,406	97,704	65,021	64,751
Equity				
Share capital	37,288	37,288	37,288	37,288
Foreign currency translation reserve	751	4,670	-	-
Available-for-sale reserve	278	198	278	198
Other reserve	5,158	5,158	-	-
Retained earnings	45,063	43,699	27,455	27,265
Equity attributable to owners of the parent	88,538	91,013	65,021	64,751
Non-controlling interests	6,868	6,691	-	-
Total equity	95,406	97,704	65,021	64,751

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CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended		6 months ended	
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES				
Profit before income tax	2,369	3,095	5,682	5,324
Adjustments for:				
- Allowance (reversed)/made for doubtful third parties trade receivables	(620)	963	(310)	1,245
- Allowance for inventory obsolescence	285	251	856	1,232
- Amortisation of club memberships	1	-	3	-
- Depreciation of property, plant and equipment	587	962	1,147	2,539
- Doubtful third parties trade receivables written off	-	12	-	12
- Fair value change in derivative financial instruments	(104)	-	147	-
- Loss on disposals of plant and equipment	92	28	105	19
- Interest expense	144	161	271	323
- Interest income	(158)	(120)	(228)	(262)
- Inventories written off	4	-	4	40
- Plant and equipment written off	-	17	-	18
- Share of results of an associate	-	-	-	30
- Unrealised foreign exchange loss/(gain)	878	1,043	1,178	(24)
Operating cash flows before working capital changes	3,478	6,412	8,855	10,496
Working capital changes:				
- Inventories	2,262	(118)	8,330	9,230
- Trade and other receivables	4,083	(10,668)	4,301	(6,963)
- Prepayments	159	378	472	(182)
- Trade and other payables	1,388	6,238	(4,888)	(7,438)
Cash generated from operations	11,370	2,242	17,070	5,143
Interest received	158	120	228	262
Income tax paid	(1,052)	123	(2,089)	(1,154)
Net cash from operating activities	10,476	2,485	15,209	4,251

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CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	3 months ended		6 months ended	
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
	\$'000	\$'000	\$'000	\$'000
INVESTING ACTIVITIES				
Capital return from an associate	-	-	-	194
Net cash outflow from disposal of derivative financial instruments	(13)	-	(146)	-
Proceeds from disposals of plant and equipment	204	51	253	146
Purchase of plant and equipment	(168)	(635)	(1,345)	(792)
Net cash from/(used in) investing activities	23	(584)	(1,238)	(452)
FINANCING ACTIVITIES				
(Increase)/Decrease in fixed deposits pledged	(3,447)	609	(3,447)	7,919
Proceeds from bank borrowings	11,223	15,218	37,571	35,853
Repayments of bank borrowings	(13,450)	(11,362)	(34,661)	(39,626)
Repayments of finance lease payables	(45)	(36)	(85)	(69)
Interest paid	(144)	(161)	(271)	(323)
Dividends paid to owners of the parent	(1,982)	(1,982)	(1,982)	(1,982)
Net cash (used in)/from financing activities	(7,845)	2,286	(2,875)	1,772
Net change in cash and cash equivalents	2,654	4,187	11,096	5,571
Cash and cash equivalents at beginning of financial period	42,207	35,815	35,215	33,718
Effects of exchange rate changes on cash and cash equivalents	(287)	(1,034)	(1,737)	(321)
Cash and cash equivalents at end of financial period	44,574	38,968	44,574	38,968

Note 1

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

Cash and cash equivalents as per Statement of Financial Position	49,500	40,960	49,500	40,960
Less: Fixed deposits pledged with banks	(4,926)	(1,992)	(4,926)	(1,992)
	<u>44,574</u>	<u>38,968</u>	<u>44,574</u>	<u>38,968</u>

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STATEMENTS OF CHANGES IN EQUITY

Group	Share capital \$'000	Premium on acquisition of non-controlling interests \$'000	Available-for-sale reserve \$'000	Foreign currency translation reserve/(account) \$'000	Statutory surplus reserve \$'000	Retained earnings \$'000	Equity attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2016	37,288	(123)	198	4,670	5,281	43,699	91,013	6,691	97,704
Profit for the financial period	-	-	-	-	-	3,346	3,346	485	3,831
Other comprehensive income for the financial period									
Foreign currency differences on translation of foreign operations	-	-	-	(3,919)	-	-	(3,919)	(308)	(4,227)
Fair value gain on available-for-sale financial assets	-	-	80	-	-	-	80	-	80
Total comprehensive income for the financial year	-	-	80	(3,919)	-	3,346	(493)	177	(316)
Contributions by and distributions to the owners of the parent									
Dividends	-	-	-	-	-	(1,982)	(1,982)	-	(1,982)
Total transactions with the owners of the parent	-	-	-	-	-	(1,982)	(1,982)	-	(1,982)
Balance at 30 June 2016	37,288	(123)	278	751	5,281	45,063	88,538	6,868	95,406
Balance at 1 January 2015	37,288	(123)	56	2,249	4,919	42,137	86,526	4,839	91,365
Profit for the financial period	-	-	-	-	-	3,432	3,432	475	3,907
Other comprehensive income for the financial period									
Foreign currency differences on translation of foreign operations	-	-	-	953	-	-	953	94	1,047
Fair value gain on available-for-sale financial assets	-	-	79	-	-	-	79	-	79
Total comprehensive income for the financial period	-	-	79	953	-	3,432	4,464	569	5,033
Contributions by and distributions to the owners of the parent									
Dividends	-	-	-	-	-	(1,982)	(1,982)	-	(1,982)
Total transactions with the owners of the parent	-	-	-	-	-	(1,982)	(1,982)	-	(1,982)
Balance at 30 June 2015	37,288	(123)	135	3,202	4,919	43,587	89,008	5,408	94,416

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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 2016	37,288	27,265	198	64,751
Profit for the financial period	-	2,172	-	2,172
Other comprehensive income for the financial period				
Fair value gain on available-for-sale financial assets	-	-	80	80
Total comprehensive income for the financial period	-	2,172	80	2,252
Transaction with the owners				
Dividends	-	(1,982)	-	(1,982)
Total transactions with the owners	-	(1,982)	-	(1,982)
Balance at 30 June 2016	37,288	27,455	278	65,021
Balance at 1 January 2015	37,288	28,609	56	65,953
Profit for the financial period	-	50	-	50
Other comprehensive income for the financial period				
Fair value gain on available-for-sale financial assets	-	-	79	79
Total comprehensive income for the financial period	-	50	79	129
Transactions with the owners				
Dividends	-	(1,982)	-	(1,982)
Total transactions with the owners	-	(1,982)	-	(1,982)
Balance at 30 June 2015	37,288	26,677	135	64,100

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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 \$80.3m for the three months ended 30 June 2016 ("2Q2016"), a decrease of 5.6% or \$4.8m compared to the revenue of \$85.1m for the three months ended 30 June 2015 ("2Q2015"). For the six months ended 30 June 2016 ("1H2016"), the Group achieved revenue of \$173.0m, a year-on-year increase of 3.5% or \$5.8m, compared to revenue of \$167.2m achieved for the six months ended 30 June 2015 ("1H2015").

Comparing 2Q2016 to three months ended 31 March 2016 ("1Q2016"), the Group revenue decreased by 13.4% or \$12.4m, from \$92.7m to \$80.3m mainly due to slow down of global economy.

For 2Q2016, the IT Division accounted for 91.9% of the Group's revenue, while the PCB Division accounted for the remaining 8.1% of the Group's revenue.

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REVENUE

PCB Division

Revenue in this Division decreased by 4.4% or \$0.3m, from \$6.8m in 2Q2015 to \$6.5m in 2Q2016 mainly due to continuing decline in PCB business in Singapore.

Comparing 2Q2016 to 1Q2016, revenue in this Division decreased by 3.0% or \$0.2m from \$6.7m in 1Q2016 to \$6.5m in 2Q2016.

IT Division

The IT Distribution business achieved quarterly revenue of \$73.8m in 2Q2016, a decrease of 5.7% or \$4.5m, from \$78.3m in 2Q2015. On a half yearly basis, this business grew by 3.8% or \$5.8m, from \$154.0m in 1H2015 to \$159.8m in 1H2016.

Comparing 2Q2016 to 1Q2016, revenue decreased by 14.2% or \$12.2m, from \$86.0m in 1Q2016 to \$73.8m in 2Q2016.

The decrease in sales was mainly due to the uncertainty in the global economic outlook and more cautious spending budgets in the government sectors and financial institutions.

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PROFIT BEFORE TAX (“PBT”)

The Group registered a PBT of \$2.4m in 2Q2016, as compared to a PBT of \$3.1m in 2Q2015.

The drop in PBT was due to the following:-

- (1) A decrease of \$1.6m in gross profit mainly due to the decrease in revenue and a decrease in gross profit margin by 1.0 percentage point from 17.6% in 2Q2015 to 16.6% in 2Q2016. The decrease in gross profit margin was mainly due to:
 - an increase in allowance for inventory obsolescence from \$251,000 in 2Q2015 to \$285,000 in 2Q2016 based on the review of inventory obsolescence performed;
 - a decrease in the gross profit margin in IT Business mainly due to uncertain global economic outlook; and
 - a decrease in revenue in the high operating leverage PCB Division. Given the fixed cost of depreciation on laser and mechanical drilling machines, the gross margin is particularly sensitive to changes in production volume; and
- (2) An increase in staff costs by \$1.3m in 2Q2016 as compared to 2Q2015. The change was mainly due to over provision of commission in 1Q2015 which was subsequently reversed in 2Q2015. There was no such reversal in 2Q2016.

The decrease in PBT was however ameliorated by the following:

- (1) A reversal in allowance for doubtful third parties trade receivables of \$620,000 in 2Q2016 mainly due to collections received, as compared to allowance for doubtful third parties receivables of \$963,000 in 2Q2015;
- (2) A decrease in net foreign exchange loss from \$1.3m in 2Q2015, to \$744,000 in 2Q2016. The change was mainly due to appreciation of Singapore dollar against United States dollar in 2Q2015, which resulted in a significant foreign exchange loss in 2Q2015. The fluctuation of Singapore dollar against United States dollar in 2Q2016 is less volatile compared to 2Q2015. Excluding net foreign exchange loss, the Group reported a PBT of \$3.1m for 2Q2016 compared to \$4.4m for 2Q2015;
- (3) A decrease in depreciation from \$962,000 in 2Q2015 to \$587,000 in 2Q2016, mainly due to disposal of plant and machinery and depreciation of Renminbi against Singapore dollar; and
- (4) Fair value gain in derivative financial instrument of \$104,000 in 2Q2016, mainly due to those forward contract currencies depreciated against United States dollar in 2Q2016. There were no derivative financial instruments in 2Q2015.

Comparing 2Q2016 to 1Q2016, the Group PBT's stood at \$2.4m in 2Q2016 as compared to \$3.3m in 1Q2016 mainly due to lower revenue achieved in 2Q2016.

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PROFIT AFTER TAX (“PAT”)

The Group's PAT decreased by \$0.8m, from a profit of \$2.4m in 2Q2015 to a profit of \$1.6m in 2Q2016. Comparing 2Q2016 to 1Q2016, the Group's PAT decreased by \$0.6m from \$2.2m in 1Q2016 to \$1.6m in 2Q2016. This decrease was in line with the decrease in PBT.

Income tax expenses comprised mainly current income tax, deferred tax and withholding tax expenses of the Company and its subsidiaries.

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STATEMENTS OF FINANCIAL POSITION REVIEW

Presented below is a review of material changes in the key statements of financial position items for the financial period ended 30 June 2016.

Cash and cash equivalents at the Group level increased \$12.8m from \$36.7m to \$49.5m mainly due to collection from customers net of payment to suppliers. At the Company level, cash and cash equivalents increased from \$2.4m to \$6.0m, mainly due to loans drawdown from the banks to support the working capital requirement of the Group.

Trade and other receivables of the Group decreased by \$11.7m from \$87.7m to \$76.0m, due to lower revenue achieved in 2Q2016 as compared to 4Q2015. The increase at the Company level by \$5.6m from \$31.8m to \$37.4m was mainly due to advance to a subsidiary.

Inventories at the Group level decreased by \$10.4m from \$29.5m to \$19.1m due to better inventory management.

Property, plant and equipment decreased by \$1.9m from \$20.7m to \$18.8m at the Group level mainly due to depreciation charge and disposal of plant and equipment, net of purchase of new plant and equipment. The decrease at the Company level is mainly due to depreciation charge and disposal of plant and equipment, net of purchase of new plant and equipment.

Investment properties increased by \$1m from \$1.7m to \$2.7m at the Company level due to the purchase of a new property to support the operation of the subsidiaries. The investment properties are treated as property, plant and equipment at the Group level.

Trade and other payables decreased by \$12.0m from \$65.7m to \$53.7m at the Group level due mainly to payment made to vendors in 1H2016, lower sales in 2Q2016 and better inventory management. Trade and other payables at the Company level remained relatively unchanged.

Borrowings increased at both Group and Company level mainly due to draw down of Singapore dollar loans from the banks to support the working capital requirement of the Group, net of repayment of short-term loans to banks.

Foreign currency translation reserve decreased from \$4.7m to \$751,000 at Group level mainly due to appreciation of Singapore dollar against United States dollar and other local currencies.

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CASH FLOW ANALYSIS

Net cash of \$15.2m was generated from operating activities in 1H2016, as compared to net cash of \$4.3m generated from 1H2015. This was mainly due to collection from customers and improved inventory management, net of payment for trade and other payables.

Net cash of \$1.2m was used in investing activities in 1H2016 as compared to \$452,000 used in 1H2015. The changes were mainly due to purchase of property, plant and equipment of \$1.3m and payment for realised loss in derivative financial instruments of \$146,000, net of proceeds from disposal of plant and equipment of \$253,000 in 1H2016, as compared to purchase of plant and equipment of \$792,000, net of capital return of \$194,000 from an associate following the liquidation and proceeds from disposal of plant and equipment of \$146,000 in 1H2015.

Net cash of \$2.9m was used in financing activities in 1H2016 as opposed to \$1.8m generated in 1H2015. The change was mainly due to the addition of pledged fixed deposits of \$3.4m, repayment of bank borrowings of \$34.7m, net of proceeds from bank borrowings of \$37.6m in 1H2016, as compared to lifting of the pledged fixed deposits of \$7.9m, proceeds of bank borrowings of \$35.9m, net of repayment of bank borrowings of \$39.6m in 1H2015.

Cash and cash equivalents stood at \$44.6m as at end of 30 June 2016, up from \$39.0m as at the end of 30 June 2015.

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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 2Q2016 to 2Q2015, the revenue for this quarter decreased by 4.4% or \$0.3m from \$6.8m in 2Q2015 to \$6.5m in 2Q2016. On a half year basis, revenue remains unchanged at \$13.2m for both 1H2016 and 1H2015.

The Group is currently one of the leading PCB drilling service providers in terms of capacity and technology in Eastern China. As at 30 June 2016, the Group has 134 mechanical drilling machines and 22 laser drilling machines. In 2Q2016, the Group sold 7 mechanical 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 3.8% or \$5.8m from \$154.0m in 1H2015 to \$159.8m in 1H2016. Comparing 2Q2016 to 2Q2015, revenue decreased by 5.7% or \$4.5m from \$78.3m in 2Q2015 to \$73.8m in 2Q2016.

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 Blue Coat, 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, Blue Coat, Check Point and Nutanix courses. The Education Services Division is able to provide training courses for MobileIron and SolarWinds too. 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 30 June 2016, the Group's IT business has a presence in 29 cities in 15 countries in the Asia Pacific region and in Europe region. M.Tech offices in countries that are already mature in operations are expected to contribute more to the Group's performance.

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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 after the recent U.K. referendum and the Group's business could be affected to some extent. 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.

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Risk Factors

The Group's primary business risk in its PCB business 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. Additionally, with the typically heavy capital investment required in the manufacturing service business, the Group will be adversely affected should there be a downturn in the electronics business due to the high fixed costs in this business.

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.

The Group, with significant investment in China, is also exposed to the political, legal and economic climates of the country. Such risks pertaining to the political, legal and economic climates extend to the other markets in which the Group is operating.

We are also exposed to foreign exchange risks as we mainly transact with our suppliers, vendors and customers in Singapore dollar, US dollar, Chinese renminbi, Thailand baht, Malaysian ringgit, Indian rupee and to a lesser extent, Euro, Indonesian rupiah, Philippines peso, Hong Kong dollars, Korean won, Japanese yen, Taiwan dollar, Vietnam dong, Australian dollars, New Zealand dollar and British Pound. The Group may, from time to time, enter into borrowing and foreign exchange 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.

In the area of IT distribution, the Group is subjected 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 also monitors its inventories on a quarterly basis and will make provisions where necessary.

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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 1H2016 were largely in line with the prospect commentary disclosed to the shareholders on 5 February 2016.

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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 30 Jun 2016		As at 31 Dec 2015	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
3,914	19,050	2,091	17,908

Amount repayable after one year

As at 30 Jun 2016		As at 31 Dec 2015	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
2,243	-	2,789	-

Additional information and details of any collateral

The secured borrowings are secured on the Group's one property, three motor vehicles, available-for-sale investment and fixed deposits placed with the financial institutions.

2. SHARE CAPITAL

	Issued shares '000	Share capital \$'000	Total share capital \$'000
Group			
Balance at 1 Jan 2016 and 30 Jun 2016	90,095	37,288	37,288
Balance at 1 Jan 2015 (before share consolidation)	360,381	37,288	37,288
Balance at 30 Jun 2015 and 31 Dec 2015	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.

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 has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited annual financial statements for the financial year ended 31 December 2015. In addition, the Group also adopted various revisions to the FRS, which became effective during the period. The said adoption has no significant impact to the financial statements of the Group.

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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.

Not applicable.

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.

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		6 months ended	
	30-Jun-2016	30-Jun-2015	30-Jun-2016	30-Jun-2015
(i) Based on weighted average number of shares	1.57 cents	2.46 cents	3.71 cents	3.81 cents
- Weighted average number of shares ('000)	90,095	90,095	90,095	90,095
(ii) On fully diluted basis	1.57 cents	2.46 cents	3.71 cents	3.81 cents
- Adjusted weighted average number of shares ('000)	90,095	90,095	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	
	30-Jun-2016	31-Dec-2015	30-Jun-2016	31-Dec-2015
Net asset value per share based on existing issued share capital as at the respective period	98.27 cents	101.02 cents	72.17 cents	71.87 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.

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10. DIVIDEND

(a) Current Financial Period Reported On

The Board of Directors is pleased to propose a tax exempt (one-tier) interim dividend of 1.11 cent per ordinary share in respect of the financial results for the second quarter ended 30 June 2016.

The interim dividend will be paid on 21 November 2016. The record (entitlement) date and time will be 7 November 2016 at 5.00 p.m. and the book closure date will be on 8 November 2016.

(b) Dividend for financial period ended 30 June 2015

The Board of Directors declared a tax exempt (one-tier) interim dividend of 1.11 cent per ordinary share in respect of the financial results for the second quarter ended 30 June 2015.

The interim dividend was paid on 27 November 2015. The book closure date was on 17 November 2015.

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.

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.

Multi-Chem Limited

Registration No. 198500318Z

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BY ORDER OF THE BOARD

Foo Suan Sai
Chief Executive Officer
5 August 2016

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 second quarter ended 30 June 2016 to be false or misleading in any material aspects.

On behalf of the Board of Directors

Foo Suan Sai
Chief Executive Officer
Singapore, 5 August 2016

Han Juat Hoon
Chief Operating Officer
Singapore, 5 August 2016