



Multi-Chem Limited

(Incorporated in Singapore. Registration Number: 198500318Z)

Full Year Financial Statements and Dividend Announcement

For the financial year ended 31 December 2018

Multi-Chem Limited

Registration No. 198500318Z

Full Year Financial Statements and Dividend Announcement*For the financial year ended 31 December 2018***CONSOLIDATED INCOME STATEMENT**

Group	3 months ended			12 months ended		
	31/12/2018	31/12/2017	Change	31/12/2018	31/12/2017	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	112,321	118,881	(6)	431,330	415,951	4
Cost of sales	(96,832)	(101,503)	(5)	(370,594)	(355,753)	4
Gross profit	15,489	17,378	(11)	60,736	60,198	1
Other items of income						
- Interest income	209	152	38	690	487	42
- Other income	302	660	(54)	1,160	4,972	(77)
Other items of expense						
- Selling and distribution costs	(6,492)	(6,708)	(3)	(26,036)	(25,169)	3
- Administrative expenses	(4,780)	(5,247)	(9)	(24,117)	(24,402)	(1)
- Finance costs	(236)	(138)	71	(541)	(392)	38
Profit before income tax	4,492	6,097	(26)	11,892	15,694	(24)
Income tax expense	(1,681)	(1,141)	47	(5,219)	(3,855)	35
Profit for the financial period/year	2,811	4,956	(43)	6,673	11,839	(44)
Profit attributable to:						
Owners of the parent	2,579	4,775	(46)	5,565	10,967	(49)
Non-controlling interests	232	181	28	1,108	872	27
	2,811	4,956	(43)	6,673	11,839	(44)

Earnings per share for profit attributable to owners of the parent during the financial period/year

(expressed in cents per share)

Basic	2.86 cents	5.30 cents	6.18 cents	12.17 cents
Diluted	2.86 cents	5.30 cents	6.18 cents	12.17 cents

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Full Year Financial Statements and Dividend Announcement*For the financial year ended 31 December 2018***CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Group	3 months ended			12 months ended		
	31/12/2018	31/12/2017	Change	31/12/2018	31/12/2017	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Profit for the financial period/year	2,811	4,956	(43)	6,673	11,839	(44)
Other comprehensive income for the financial period/year						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Foreign currency differences						
on translation of foreign operations	(153)	(521)	(71)	(888)	(3,564)	(75)
Fair value gain on available-for-sale financial assets	-	28	(100)	-	129	(100)
	(153)	(493)	(69)	(888)	(3,435)	(74)
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Remeasurements of post-employee benefits	25	(74)	(134)	25	(74)	(134)
Other comprehensive income for the financial period/year, net of tax	(128)	(567)	(77)	(863)	(3,509)	(75)
Total comprehensive income for the financial period/year	2,683	4,389	(39)	5,810	8,330	(30)
Total comprehensive income attributable to:						
Owners of the parent	2,462	4,357	(43)	4,625	8,089	(43)
Non-controlling interests	221	32	591	1,185	241	392
	2,683	4,389	(39)	5,810	8,330	(30)

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NOTES TO CONSOLIDATED INCOME STATEMENT

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

Group	3 months ended			12 months ended		
	31/12/2018	31/12/2017	Change	31/12/2018	31/12/2017	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Other gains	169	462	(63)	899	1,166	(23)
Interest income	209	152	38	690	487	42
Interest expense	(236)	(138)	71	(541)	(392)	38
Amortisation of club memberships	(6)	(6)	-	(24)	(18)	33
Depreciation of property, plant and equipment	(608)	(666)	(9)	(2,143)	(2,813)	(24)
Allowance reversed/(made) for doubtful third parties trade receivables	149	530	(72)	(164)	138	(219)
Bad third parties trade receivables written off	(283)	-	100	(283)	-	100
Allowance (made)/reversed for inventory obsolescence	(643)	71	(1,006)	(2,075)	(728)	185
Inventories written off	(19)	(29)	(34)	(25)	(82)	(70)
Foreign exchange gain/(loss), net	518	(62)	(935)	(2,506)	(1,198)	109
Gain on disposals of plant and equipment	90	65	38	126	3,668	(97)
Plant and equipment written off	(21)	(24)	(13)	(22)	(73)	(70)
Fair value change in investment in life insurance plan	46	-	100	131	-	100
Fair value change in derivative financial instrument	(3)	(7)	(57)	4	(2)	(300)

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STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	31/12/2018	12/31/2017	31/12/2018	12/31/2017
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	12,451	10,571	2,299	1,784
Investment properties	-	-	2,525	2,581
Investments in subsidiaries	-	-	21,201	24,432
Club memberships	498	525	186	186
Deferred tax assets	2,607	2,415	-	-
Investment in life insurance plan	4,260	4,092	4,260	4,092
Trade receivables	1,504	320	-	-
Prepayment	468	552	468	552
	21,788	18,475	30,939	33,627
Current assets				
Inventories	31,310	31,391	305	355
Trade and other receivables	118,715	100,953	33,652	34,134
Prepayments	1,503	644	122	143
Current income tax recoverable	2,839	1,575	-	199
Cash and cash equivalents	56,586	76,825	6,508	12,901
	210,953	211,388	40,587	47,732
Less:				
Current liabilities				
Trade and other payables	98,070	91,466	2,067	2,735
Finance lease payables	-	29	-	29
Bank borrowings	19,558	24,373	10,353	16,883
Current income tax payable	1,696	1,452	14	-
Derivative financial instruments	2	7	-	-
	119,326	117,327	12,434	19,647
Net current assets	91,627	94,061	28,153	28,085
Less:				
Non-current liabilities				
Other payables	2,841	1,988	-	-
Bank borrowings	869	1,310	869	1,310
Provision for post-employee benefits	349	308	-	-
Deferred tax liabilities	482	65	-	-
	4,541	3,671	869	1,310
	108,874	108,865	58,223	60,402
Equity				
Share capital	37,288	37,288	37,288	37,288
Foreign currency translation (account)/reserve	(465)	500	-	-
Available-for-sale reserve	-	470	-	470
Other reserves	3,499	5,222	-	-
Retained earnings	59,415	57,308	20,935	22,644
Equity attributable to owners of the parent	99,737	100,788	58,223	60,402
Non-controlling interests	9,137	8,077	-	-
Total equity	108,874	108,865	58,223	60,402

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

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Full Year Financial Statements and Dividend Announcement*For the financial year ended 31 December 2018***CONSOLIDATED STATEMENT OF CASH FLOWS**

	3 months ended		12 months ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES				
Profit before income tax	4,492	6,097	11,892	15,694
Adjustments for:				
- Allowance (reversed)/made for doubtful third parties trade receivables	(149)	(530)	164	(138)
- Allowance made/(reversed) for inventory obsolescence	643	(71)	2,075	728
- Amortisation of club memberships	6	6	24	18
- Bad third parties trade receivables written off	283	-	283	-
- Depreciation of property, plant and equipment	608	666	2,143	2,813
- Fair value change in investment in life insurance plan	(46)	-	(131)	-
- Fair value change in derivative financial instruments	3	7	(4)	2
- Gain on disposals of plant and equipment	(90)	(65)	(126)	(3,668)
- Interest expense	236	138	541	392
- Interest income	(209)	(152)	(690)	(487)
- Inventories written off	19	29	25	82
- Plant and equipment written off	21	24	22	73
- Unrealised foreign exchange (gain)/loss	(955)	(277)	(530)	1,976
Operating cash flows before working capital changes	4,862	5,872	15,688	17,485
Working capital changes:				
- Inventories	5,322	3,668	(2,567)	(4,876)
- Trade and other receivables	(4,181)	(10,178)	(21,384)	(25,638)
- Prepayments	(762)	211	(789)	806
- Trade and other payables	2,747	12,902	10,559	26,476
- Post employment benefits	91	75	91	75
Cash generated from operations	8,079	12,550	1,598	14,328
Interest received	209	152	690	487
Income tax paid	(1,307)	(799)	(6,158)	(2,784)
Net cash from/(used in) operating activities	6,981	11,903	(3,870)	12,031

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CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	3 months ended		12 months ended	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	\$'000	\$'000	\$'000	\$'000
INVESTING ACTIVITIES				
Proceeds from disposals of plant and equipment	282	1,228	411	8,731
Purchase of property, plant and equipment	(426)	(634)	(4,751)	(1,655)
Net cash (used in)/from investing activities	(144)	594	(4,340)	7,076
FINANCING ACTIVITIES				
(Increase)/Decrease in fixed deposits pledged	(138)	(2,213)	13,512	(19,138)
Proceeds from bank borrowings	13,582	19,064	68,772	85,556
Repayments of bank borrowings	(9,101)	(20,575)	(73,546)	(71,319)
Repayments of finance lease payables	-	(18)	(29)	(117)
Interest paid	(236)	(138)	(541)	(392)
Dividends paid to owners of the parent	-	(1,000)	(4,964)	(3,973)
Dividends paid to non-controlling shareholders	-	-	(58)	(58)
Net cash from/(used in) financing activities	4,107	(4,880)	3,146	(9,441)
Net change in cash and cash equivalents	10,944	7,617	(5,064)	9,666
Cash and cash equivalents at beginning of financial period/year	39,721	49,946	57,152	49,990
Effects of exchange rate changes on cash and cash equivalents	(265)	(411)	(1,688)	(2,504)
Cash and cash equivalents at end of financial period/year (Note 1)	50,400	57,152	50,400	57,152

Note 1

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

Cash and cash equivalents as per Statement of Financial Position	56,586	76,825	56,586	76,825
Less: Fixed deposits pledged with banks	(6,186)	(19,673)	(6,186)	(19,673)
	50,400	57,152	50,400	57,152

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STATEMENTS OF CHANGES IN EQUITY

Group	Share capital \$'000	Foreign currency translation reserve/ (account) \$'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)	-	(242)	(712)	(67)	(779)
Profit for the financial year	-	-	-	-	-	5,565	5,565	1,108	6,673
Other comprehensive income for the financial year									
Foreign currency differences on translation of foreign operations	-	(965)	-	-	-	-	(965)	77	(888)
Remeasurements of post-employee benefits	-	-	-	-	-	25	25	-	25
Total comprehensive income for the financial year	-	(965)	-	-	-	5,590	4,625	1,185	5,810
Contributions by and distributions to the owners of the parent									
Dividends	-	-	-	-	-	(4,964)	(4,964)	-	(4,964)
Transfer from statutory reserve	-	-	-	-	(1,723)	1,723	-	-	-
Total transactions with the owners of the parent	-	-	-	-	(1,723)	(3,241)	(4,964)	-	(4,964)
Transactions with non-controlling shareholders									
Dividends paid by a subsidiary	-	-	-	-	-	-	-	(58)	(58)
Total transactions with non-controlling shareholders	-	-	-	-	-	-	-	(58)	(58)
Balance at 31 December 2018	37,288	(465)	(123)	-	3,622	59,415	99,737	9,137	108,874
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 year	-	-	-	-	-	10,967	10,967	872	11,839
Other comprehensive income for the financial year									
Foreign currency differences on translation of foreign operations	-	(2,933)	-	-	-	-	(2,933)	(631)	(3,564)
Remeasurements of post-employee benefits	-	-	-	-	-	(74)	(74)	-	(74)
Fair value gain on available-for-sale financial assets	-	-	-	129	-	-	129	-	129
Total comprehensive income for the financial year	-	(2,933)	-	129	-	10,893	8,089	241	8,330
Contributions by and distributions to the owners of the parent									
Dividends	-	-	-	-	-	(3,973)	(3,973)	-	(3,973)
Total transactions with the owners of the parent	-	-	-	-	-	(3,973)	(3,973)	-	(3,973)
Transactions with non-controlling shareholders									
Dividends paid by a subsidiary	-	-	-	-	-	-	-	(58)	(58)
Total transactions with non-controlling shareholders	-	-	-	-	-	-	-	(58)	(58)
Balance at 31 December 2017	37,288	500	(123)	470	5,345	57,308	100,788	8,077	108,865

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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 2018	37,288	22,644	470	60,402
Effect on adoption of SFRS(I) 9 (Note 1)	-	470	(470)	-
Profit for the financial year	-	2,785	-	2,785
Total comprehensive income for the financial year	-	2,785	-	2,785
Transaction with the owners				
Dividends paid	-	(4,964)	-	(4,964)
Total transactions with the owners	-	(4,964)	-	(4,964)
Balance at 31 December 2018	37,288	20,935	-	58,223
Balance at 1 January 2017	37,288	26,069	341	63,698
Profit for the financial year	-	548	-	548
Other comprehensive income for the financial year				
Fair value gain on available-for-sale financial assets	-	-	129	129
Total comprehensive income for the financial year	-	548	129	677
Transactions with the owners				
Dividends paid	-	(3,973)	-	(3,973)
Total transactions with the owners	-	(3,973)	-	(3,973)
Balance at 31 December 2017	37,288	22,644	470	60,402

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.

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STATEMENTS OF CHANGES IN EQUITY (Continued)

Note 1 (Continued):

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 classified as financial assets at fair value through profit or loss. The cumulative fair value change in the AFS reserve of \$470,000 has been reclassified to retained earnings as at 1 January 2018 and subsequent fair value change has been recognised in profit or loss.

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 \$779,000 at the Group level. There is no impact at 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 were measured in accordance with FRS39 and the comparative information in the financial statement for financial year ended 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.

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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 \$112.3m for the three months ended 31 December 2018 ("4Q2018"), a decrease of 5.6% or \$6.6m compared to the revenue of \$118.9m for the three months ended 31 December 2017 ("4Q2017"). For the twelve months ended 31 December 2018 ("12M2018"), the Group achieved revenue of \$431.3m, a year-on-year increase of 3.7% or \$15.3m, compared to revenue of \$416.0m achieved for the twelve months ended 31 December 2017 ("12M2017").

Comparing 4Q2018 to three months ended 30 September 2018 ("3Q2018"), the Group revenue increased by 5.7% or \$6.1m, from \$106.2m in 3Q2018 to \$112.3m in 4Q2018.

For 4Q2018, the IT Division accounted for 98.7% of the Group's revenue, while the PCB Division accounted for the remaining 1.3% of the Group's revenue.

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REVENUE

IT Division

The IT Distribution business achieved quarterly revenue of \$110.8m in 4Q2018, a decrease of 4.6% or \$5.3m, from \$116.1m in 4Q2017. The decrease in revenue was mainly due to business slowdown resulting from global economic uncertainty. On a twelve months basis, this business grew by 5.6% or \$22.6m, from \$402.0m in 12M2017 to \$424.6m in 12M2018.

Comparing 4Q2018 to 3Q2018, revenue increased by 6.1% or \$6.4m, from \$104.4m in 3Q2018 to \$110.8m in 4Q2018. The increase in revenue in 4Q2018 was mainly due to a traditionally better fourth quarter in IT Division. However, comparing to the growth of 27.7% from 3Q2017 to 4Q2017, growth for 4Q2018 of 6.1% is much lower due to global economic uncertainty.

PCB Division

Revenue in this Division decreased by 46.4% or \$1.3m, from \$2.8m in 4Q2017 to \$1.5m in 4Q2018.

Comparing 4Q2018 to 3Q2018, revenue in this Division decreased by 16.7% or \$0.3m from \$1.8m in 3Q2018 to \$1.5m in 4Q2018.

The decrease in revenue was mainly due to lower demand from customers.

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PROFIT BEFORE TAX (“PBT”)

The Group registered a PBT of \$4.5m in 4Q2018, as compared to \$6.1m in 4Q2017.

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

- (1) A decrease of \$1.9m in gross profit mainly due to the drop in gross profit margin in PCB division resulting from the decrease in revenue, and allowance for inventory obsolescence in IT division of \$643,000 in 4Q2018, as compared to a reversal of allowance for inventory obsolescence of \$71,000 in 4Q2017;
- (2) Bad third party trade receivables written off of \$283,000 in 4Q2018. The bad third party trade receivables written off in 4Q2017 was written off from allowance for doubtful third parties trade receivables. The change was in accordance to SFRS(I) 9;
- (3) A decrease in allowance reversed for doubtful third party trade receivables of \$381,000 from \$530,000 in 4Q2017 to \$149,000 in 4Q2018, based on the impairment review performed in 4Q2018 in accordance to SFRS(I) 9;
- (4) An increase in interest expense of \$98,000 from \$138,000 in 4Q2017 to \$236,000 in 4Q2018 mainly due to bank borrowing drawn down from financial institutions; and
- (5) A decrease in other gains by \$293,000 from \$462,000 in 4Q2017 to \$169,000 in 4Q2018 mainly due to sales of drill bits in PCB division in 4Q2017.

The drop in PBT was however ameliorated by the following:

- (1) An increase in interest income by \$57,000 from \$152,000 in 4Q2017 to \$209,000 in 4Q2018 mainly due to more fixed deposits placed with financial institutions;
- (2) An increase in gain on disposal of plant and equipment of \$25,000 from \$65,000 in 4Q2017 to \$90,000 in 4Q2018;
- (3) Net foreign exchange gain of \$518,000 in 4Q2018, as compared to a net foreign exchange loss of \$62,000 in 4Q2017, mainly due to depreciation of United States dollar against local currencies in 4Q2018. Excluding net foreign exchange difference, the Group reported a PBT of \$5.0m in 4Q2018, compared to a PBT of \$6.0m in 4Q2017;
- (4) Fair value gain of \$46,000 in investment in life insurance plan in 4Q2018. There was no such fair value gain in 4Q2017 as the investment was classified as available-for-sale financial assets with fair value changes recognized in other comprehensive income in 4Q2017. With effect from 1 January 2018, the investment in life insurance plan is classified as financial assets at fair value through profit or loss on adoption of SFRS(I) 9.

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PROFIT BEFORE TAX (“PBT”) (Continued)

Comparing 4Q2018 to 3Q2018, the Group PBT stood at \$4.5m in 4Q2018 as compared to \$1.8m in 3Q2018, mainly due to higher gross profit in 4Q2018 as a result of higher revenue, net foreign exchange gain in 4Q2018 as compared to net foreign exchange loss in 3Q2018, and reversal of allowance for doubtful third party trade receivables in 4Q2018 as compared to allowance made in 3Q2018.

PROFIT AFTER TAX (“PAT”)

Group PAT decreased by 44.0% or \$2.2m, from a profit of \$5.0m in 4Q2017 to \$2.8m in 4Q2018. The decrease was mainly due to the changes in Group PBT and higher income tax expenses for entities with higher taxable profits generated.

Comparing 4Q2018 to 3Q2018, Group PAT increased by 64.7% or \$1.1m, from a profit after tax of \$1.7m in 3Q2018 to a profit of \$2.8m in 4Q2018. The increase was mainly due to the changes in Group PBT, offset by the increase in income tax expenses for entities with higher taxable profit generated.

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

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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 as at 31 December 2018 compared to 31 December 2017.

Property, plant and equipment increased by \$1.9m and \$515,000 at the Group and Company level respectively mainly due to purchase of new property, plant and equipment, net of depreciation and disposal of plant and equipment.

Investment in subsidiaries decreased by \$3.2m at the Company level due to capital return from one subsidiary liquidated during the year.

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 will be classified as financial assets at fair value through profit or loss. The cumulative fair value change in the Available-for-sale financial assets has been reclassified to retained earnings as at 1 January 2018.

Cash and cash equivalents at the Group level decreased by \$20.2m from \$76.8m to \$56.6m. The decrease was mainly due to the increase in working capital requirement owing to the higher business volume, purchase of property, plant and equipment, and repayments of bank borrowings. At the Company level, cash and cash equivalents decreased from \$12.9m to \$6.5m mainly due to repayments of bank borrowings.

Trade and other receivables of the Group level increased by \$18.9m from \$101.3m to \$120.2m, mainly due to delay in customer collections. At the Company level, trade and other receivables decreased by \$482,000 from \$34.1m to \$33.7m, mainly due to repayment from a subsidiary.

Inventories at both Group and Company level remained relatively unchanged.

Current income tax recoverable increased by \$1.2m from \$1.6m to \$2.8m at the Group level mainly due to the increase in tax deducted at source in 12M2018. At the Company level, current income tax recoverable as at 31 December 2017 was recovered during Year 2018.

Trade and other payables increased by \$7.4m from \$93.5m to \$100.9m at the Group level mainly due to increase in purchases to cater for contracts not yet fulfilled, advance billings and advance receipts. At the Company level, trade and other payables decreased from \$2.7m to \$2.1m mainly due to accrued operating expenses paid off in Year 2018.

Bank borrowings decreased by \$5.3m from \$25.7m to \$20.4m at the Group level mainly due to repayments of bank borrowings. At Company level, borrowings decreased from \$18.2m to \$11.2m mainly due to the same reason.

Foreign currency translation account of \$465,000 instead of foreign currency translation reserve of \$500,000 at the Group level mainly due to depreciation of Chinese Renmibi against Singapore dollar and reclassification of foreign currency translation account upon disposal of one subsidiary during the year.

Other reserves decreased from \$5.2m to \$3.5m mainly due to disposal of one subsidiary during the year.

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CASH FLOW ANALYSIS

Net cash of \$3.9m was used in operating activities in 12M2018, as compared to net cash of \$12.0m generated in 12M2017. This was mainly due to lower profit before income tax attained, payment made to vendors and increase in income tax payment. The increase in income tax payment was mainly due to corporate income tax payment, tax deducted at source and capital gains tax withheld upon capital return of investment in a subsidiary liquidated.

Net cash of \$4.3m was used in investing activities in 12M2018, as compared to \$7.1m generated in 12M2017. The change was mainly due to purchase of property, plant and equipment of \$4.8m, net of proceeds from disposal of plant and equipment of \$411,000 in 12M2018, as compared to proceeds from disposal of plant and equipment of \$8.7m, net of purchase of plant and equipment of \$1.7m in 12M2017.

Net cash of \$3.1m was generated from financing activities in 12M2018 as compared to \$9.4m used in 12M2017. This was mainly due to proceeds from bank borrowings of \$68.8m and a lift in fixed deposits pledged of \$13.5m, net of repayment of bank borrowings of \$73.5m and dividend payment of \$5.0m in 12M2018, as compared to repayment of bank borrowings of \$71.3m, an increase in pledged fixed deposits of \$19.1m and dividend payment of \$4.0m, net of proceeds from bank borrowings of \$85.6m in 12M2017.

Cash and cash equivalents stood at \$50.4m as at end of 31 December 2018, down from \$57.2m as at the end of 31 December 2017.

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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.

IT

The IT business through Singapore and the regional offices achieved a year-on-year revenue growth of 5.6% in 12M2018, while experiencing a drop of 4.6% in 4Q2018, over the corresponding periods in year 2017. The decrease in revenue in 4Q2018 was mainly due to business slowdown resulting from global economic uncertainty.

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 December 2018, the Group's IT business had 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.

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. With the recent US-China trade war and partial government shutdown in US, global economic outlook remains uncertain which will in turn affect the Group's business. With the 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.

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PCB

Comparing 4Q2018 to 4Q2017, the revenue for this quarter decreased by 46.4% or \$1.3m, from \$2.8m in 4Q2017 to \$1.5m in 4Q2018. The decrease was mainly due to lower demand from customers. On a 12 month basis, revenue decreased by 52.1% or \$7.3m from \$14.0m in 12M2017 to \$6.7m in 12M2018, mainly due to lower demand from customers and significantly reduced production capacity resulting from the disposal of 103 CNC drilling machines in China during year 2017.

During 4Q2018, the Group purchased 1 mechanical drilling machine and disposed 2 laser drilling machines and 4 mechanical drilling machines. As at 31 December 2018, the Group had 29 mechanical drilling machines and 18 laser drilling machines. The Group will continue to be selective of its customers, rationalise operations, manage headcount and conserve cash.

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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 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, Philippines peso, and to a lesser extent, Euro, 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.

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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 12M2018 were largely in line with the prospect commentary disclosed to the shareholders on 9 February 2018.

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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 31 Dec 2018		As at 31 Dec 2017	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
6,203	13,355	16,248	8,154

Amount repayable after one year

As at 31 Dec 2018		As at 31 Dec 2017	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
869	-	1,310	-

Additional information and details of any collateral

The secured borrowings are secured on the Group's 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 Dec 2018	90,095	37,288	37,288
Balance at 1 Jan 2017 and 31 Dec 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.

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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.

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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.**

Group	3 months ended		12 months ended	
Earnings per share attributable to owners of the parent during the financial period/year (expressed in cents per share)	31-Dec-2018	31-Dec-2017	31-Dec-2018	31-Dec-2017
(i) Based on weighted average number of shares	2.86 cents	5.30 cents	6.18 cents	12.17 cents
- Weighted average number of shares ('000)	90,095	90,095	90,095	90,095
(ii) On fully diluted basis	2.86 cents	5.30 cents	6.18 cents	12.17 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	
	31-Dec-2018	31-Dec-2017	31-Dec-2018	31-Dec-2017
Net asset value per share based on existing issued share capital as at the respective period	110.70 cents	111.87 cents	64.62 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 Year Reported On**

Name of Dividend	2018 Interim Ordinary Tax Exempt – 1-Tier	2018 Final Tax Exempt – 1-Tier	2018 Total
Dividend Type	Cash	Cash	Cash
Dividend Amount (Cents Per Share)	1.11	3.30	4.41

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10. DIVIDEND (Continued)

(b) Corresponding Year of the Immediately Preceding Financial Year

Name of Dividend	2017 Interim Tax Exempt – 1-Tier	2017 Final Tax Exempt – 1-Tier	2017 Special Tax Exempt – 1-Tier	2017 Total
Dividend Type	Cash	Cash	Cash	Cash
Dividend Amount (Cents Per Share)	1.11	3.30	1.10	5.51

(c) Book closure date and dividend payment date

The proposed final tax exempt 1-Tier dividend of 3.30 cents per ordinary share, if approved by shareholders at the next Annual General Meeting to be convened, will be paid on 31 May 2019.

The book closure date of the final dividend will be on 15 May 2019.

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.

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13. ADDITIONAL INFORMATION

i) SEGMENT INFORMATION

	Singapore		China		Australia		Others		
	PCB business	IT business	PCB business	IT business	IT business	IT business	Elimination and adjustments		Total
12 months ended 31 December 2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue									
- External sales	2,665	193,609	4,038	45,761	53,951	131,306	-		431,330
- Inter-segment sales	1	53	-	-	-	-	(54)		-
Total revenue	2,666	193,662	4,038	45,761	53,951	131,306	(54)		431,330

	PCB business \$'000	IT business \$'000	Elimination and adjustments \$'000	Total \$'000
Segment results				
Interest income	400	290	-	690
Interest expense	-	(541)	-	(541)
Depreciation of property, plant and equipment	(1,217)	(926)	-	(2,143)
<i>Other material non-cash items:</i>				
- Gain on disposals of plant and equipment	102	24	-	126
- Bad third parties trade receivables written off	-	(283)	-	(283)
- Inventories written off	-	(25)	-	(25)
- Plant and equipment written off	-	(22)	-	(22)
- Unrealised foreign exchange (loss)/gain	(41)	571	-	530
- Allowance made for inventory obsolescence	(11)	(2,064)	-	(2,075)
- Allowance made for doubtful third parties trade receivables	-	(164)	-	(164)
- Amortisation of club memberships	(14)	(10)	-	(24)
- Fair value change in Investment in life insurance plan	131	-	-	131
- Fair value change in derivative financial instruments	-	4	-	4
Segment profit	(741)	12,633	-	11,892

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13. ADDITIONAL INFORMATION (Continued)

i) SEGMENT INFORMATION (Continued)

	Singapore		China		Australia		Others		
	PCB business	IT business	PCB business	IT business	IT business	IT business	Unallocated	Total	
2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital expenditure									
Property, plant and equipment	889	526	-	20	3,042	274	-	4,751	
Assets and liabilities									
Segment assets	17,351	95,384	11,322	21,818	22,093	59,326	5,447	232,741	
Segment liabilities	13,282	63,725	227	7,030	11,860	25,565	2,178	123,867	

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13. ADDITIONAL INFORMATION (Continued)

i) SEGMENT INFORMATION (Continued)

	Singapore		China		Australia	Others		
12 months ended	PCB business	IT business	PCB business	IT business	IT business	IT business	Elimination and	Total
31 December 2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	adjustments	\$'000
Revenue								
- External sales	3,052	178,056	10,913	44,849	41,693	137,388	-	415,951
- Inter-segment sales	-	25	-	-	-	56	(81)	-
Total revenue	3,052	178,081	10,913	44,849	41,693	137,444	(81)	415,951
					PCB business	IT business	Elimination and	Total
					\$'000	\$'000	adjustments	\$'000
Segment results								
Interest income					271	216	-	487
Interest expense					(3)	(389)	-	(392)
Depreciation of property, plant and equipment					(1,785)	(1,028)	-	(2,813)
<i>Other material non-cash items:</i>								
- Gain on disposals of plant and equipment					3,664	4	-	3,668
- Inventories written off					-	(82)	-	(82)
- Plant and equipment written off					(57)	(16)	-	(73)
- Unrealised foreign exchange loss					(1,678)	(298)	-	(1,976)
- Allowance made for inventory obsolescence					(11)	(717)	-	(728)
- Allowance reversed for doubtful third parties trade receivables					-	138	-	138
- Amortisation of club memberships					(8)	(10)	-	(18)
- Fair value change in derivative financial instruments					-	(2)	-	(2)
Segment profit					2,181	13,513	-	15,694

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13. ADDITIONAL INFORMATION (Continued)

i) SEGMENT INFORMATION (Continued)

	Singapore		China		Australia		Others		
	PCB business	IT business	PCB business	IT business	IT business	IT business	Unallocated	Total	
2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital expenditure									
Property, plant and equipment	302	1,023	3	7	3	317	-	1,655	
Assets and liabilities									
Segment assets	23,193	95,684	19,509	19,392	14,306	53,789	3,990	229,863	
Segment liabilities	20,957	60,975	383	8,839	6,880	21,447	1,517	120,998	

Geographical segments

	Singapore		China		Australia		Others		Total
	12 months ended	12 months ended	12 months ended	12 months ended	12 months ended	12 months ended	12 months ended	12 months ended	12 months ended
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	167,633	158,448	47,735	53,168	53,929	41,734	162,033	162,601	431,330
									415,951
	Singapore		China		Australia		Others		Total
	as at	as at	as at	as at	as at	as at	as at	as at	as at
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets	9,038	8,753	1,133	2,445	2,859	2	387	448	13,417
									11,648

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13. ADDITIONAL INFORMATION (Continued)

ii) BREAKDOWN OF SALES

	2018 \$'000	2017 \$'000	Increase / (Decrease) %
Sales reported for first half year	212,798	203,372	5
Profit after tax before deducting non-controlling interests reported for first half year	2,197	5,733	(62)
Sales reported for second half year	218,532	212,579	3
Profit after tax before deducting non-controlling interests reported for second half year	4,476	6,106	(27)

14. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer.

There is no person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer.

BY ORDER OF THE BOARD

Foo Suan Sai
Chief Executive Officer
1 February 2019