



Multi-Chem Limited

(Incorporated in Singapore. Registration Number: 198500318Z)

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2018 to 30 September 2018

Interim Financial Statements and Dividend Announcement
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CONSOLIDATED INCOME STATEMENT

Group	3 months ended			9 months ended		
	30/9/2018	30/9/2017	Change	30/9/2018	30/9/2017	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	106,211	93,698	13	319,009	297,070	7
Cost of sales	(91,408)	(79,913)	14	(273,762)	(254,250)	8
Gross profit	14,803	13,785	7	45,247	42,820	6
Other items of income						
- Interest income	84	171	(51)	481	335	44
- Other income	104	114	(9)	858	4,312	(80)
Other items of expense						
- Selling and distribution costs	(5,853)	(6,091)	(4)	(19,544)	(18,461)	6
- Administrative expenses	(7,219)	(5,929)	22	(19,337)	(19,155)	1
- Finance costs	(91)	(119)	(24)	(305)	(254)	20
Profit before income tax	1,828	1,931	(5)	7,400	9,597	(23)
Income tax expense	(163)	(781)	(79)	(3,538)	(2,714)	30
Profit for the financial period	1,665	1,150	45	3,862	6,883	(44)
Profit attributable to:						
Owners of the parent	1,211	765	58	2,986	6,192	(52)
Non-controlling interests	454	385	18	876	691	27
	1,665	1,150	45	3,862	6,883	(44)
Earnings per share for profit attributable to owners of the parent during the financial period (expressed in cents per share)						
Basic	1.34 cents	0.85 cents		3.31 cents	6.87 cents	
Diluted	1.34 cents	0.85 cents		3.31 cents	6.87 cents	

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group	3 months ended			9 months ended		
	30/9/2018	30/9/2017	Change	30/9/2018	30/9/2017	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Profit for the financial period	1,665	1,150	45	3,862	6,883	(44)
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	(1,661)	(377)	341	(735)	(3,043)	(76)
Fair value gain on available-for-sale financial assets	-	45	(100)	-	101	(100)
Other comprehensive income for the financial period, net of tax	(1,661)	(332)	400	(735)	(2,942)	(75)
Total comprehensive income for the financial period	4	818	(100)	3,127	3,941	(21)
Total comprehensive income attributable to:						
Owners of the parent	(373)	534	(170)	2,163	3,732	(42)
Non-controlling interests	377	284	33	964	209	361
	4	818	(100)	3,127	3,941	(21)

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NOTES TO CONSOLIDATED INCOME STATEMENT

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

Group	3 months ended			9 months ended		
	30/9/2018	30/9/2017	Change	30/9/2018	30/9/2017	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Other gains	259	2	12,850	730	704	4
Interest income	84	171	(51)	481	335	44
Interest expense	(91)	(119)	(24)	(305)	(254)	20
Amortisation of club memberships	(6)	(7)	(14)	(18)	(12)	50
Depreciation of property, plant and equipment	(335)	(632)	(47)	(1,535)	(2,147)	(29)
Allowance (made)/reversed for doubtful third parties trade receivables	(494)	200	(347)	(313)	(392)	(20)
Allowance for inventory obsolescence	(688)	(259)	166	(1,432)	(799)	79
Inventories written off	(1)	(3)	(67)	(6)	(53)	(89)
Foreign exchange loss, net	(1,681)	(811)	107	(3,024)	(1,136)	166
(Loss)/Gain on disposals of plant and equipment	(2)	110	(102)	36	3,603	(99)
Plant and equipment written off	-	-	-	(1)	(49)	(98)
Fair value change in investment in life insurance plan	28	-	100	85	-	100
Fair value change in derivative financial instrument	-	2	(100)	7	5	40

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STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	30/9/2018	31/12/2017	30/9/2018	31/12/2017
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	12,968	10,571	2,175	1,784
Investment properties	-	-	2,539	2,581
Investments in subsidiaries	-	-	21,201	24,432
Club memberships	504	525	186	186
Deferred tax assets	2,449	2,415	-	-
Investment in life insurance plan	4,222	4,092	4,222	4,092
Trade receivables	835	320	-	-
Prepayment	489	552	489	552
	21,467	18,475	30,812	33,627
Current assets				
Inventories	37,485	31,391	226	355
Trade and other receivables	115,481	100,953	35,651	34,134
Prepayments	723	644	154	143
Current income tax recoverable	3,103	1,575	199	199
Cash and cash equivalents	45,822	76,825	6,496	12,901
	202,614	211,388	42,726	47,732
Less:				
Current liabilities				
Trade and other payables	95,805	91,466	1,856	2,735
Finance lease payables	-	29	-	29
Bank borrowings	15,094	24,373	12,094	16,883
Current income tax payable	1,475	1,452	-	-
Derivative financial instruments	-	7	-	-
	112,374	117,327	13,950	19,647
Net current assets	90,240	94,061	28,776	28,085
Less:				
Non-current liabilities				
Other payables	3,521	1,988	-	-
Bank borrowings	984	1,310	984	1,310
Provision for post-employee benefits	311	308	-	-
Deferred tax liabilities	414	65	-	-
	5,230	3,671	984	1,310
	106,477	108,865	58,604	60,402
Equity				
Share capital	37,288	37,288	37,288	37,288
Foreign currency translation (account)/reserve	(323)	500	-	-
Available-for-sale reserve	-	470	-	470
Other reserves	5,222	5,222	-	-
Retained earnings	55,360	57,308	21,316	22,644
Equity attributable to owners of the parent	97,547	100,788	58,604	60,402
Non-controlling interests	8,930	8,077	-	-
Total equity	106,477	108,865	58,604	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.

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CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended		9 months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES				
Profit before income tax	1,828	1,931	7,400	9,597
Adjustments for:				
- Allowance made/(reversed) for doubtful third parties trade receivables	494	(200)	313	392
- Allowance for inventory obsolescence	688	259	1,432	799
- Amortisation of club memberships	6	7	18	12
- Depreciation of property, plant and equipment	335	632	1,535	2,147
- Fair value change in investment in life insurance plan	(28)	-	(85)	-
- Fair value change in derivative financial instruments	-	(2)	(7)	(5)
- Gain on disposals of plant and equipment	2	(110)	(36)	(3,603)
- Interest expense	91	119	305	254
- Interest income	(84)	(171)	(481)	(335)
- Inventories written off	1	3	6	53
- Plant and equipment written off	-	-	1	49
- Unrealised foreign exchange loss	336	1,420	425	2,253
Operating cash flows before working capital changes	3,669	3,888	10,826	11,613
Working capital changes:				
- Inventories	(1,155)	(4,737)	(7,889)	(8,544)
- Trade and other receivables	(17,139)	1,319	(17,203)	(15,460)
- Prepayments	144	114	(27)	595
- Trade and other payables	7,777	(4,210)	7,812	13,574
Cash generated from operations	(6,704)	(3,626)	(6,481)	1,778
Interest received	84	171	481	335
Income tax paid	(1,058)	(60)	(4,851)	(1,985)
Net cash (used in)/from operating activities	(7,678)	(3,515)	(10,851)	128

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CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	3 months ended		9 months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	\$'000	\$'000	\$'000	\$'000
INVESTING ACTIVITIES				
Proceeds from disposals of plant and equipment	4	227	129	7,503
Purchase of plant and equipment	(2,997)	(214)	(4,325)	(1,021)
Net cash (used in)/from investing activities	(2,993)	13	(4,196)	6,482
FINANCING ACTIVITIES				
Decrease/(Increase) in fixed deposits pledged	4,261	1,422	13,650	(16,925)
Proceeds from bank borrowings	14,076	21,150	55,190	66,492
Repayments of bank borrowings	(12,121)	(18,896)	(64,445)	(50,744)
Repayments of finance lease payables	-	(17)	(29)	(99)
Interest paid	(91)	(119)	(305)	(254)
Dividends paid to owners of the parent	(1,000)	-	(4,964)	(2,973)
Dividends paid to non-controlling shareholders	-	-	(58)	(58)
Net cash from/(used in) financing activities	5,125	3,540	(961)	(4,561)
Net change in cash and cash equivalents	(5,546)	38	(16,008)	2,049
Cash and cash equivalents at beginning of financial period	46,806	50,569	57,152	49,990
Effects of exchange rate changes on cash and cash equivalents	(1,539)	(661)	(1,423)	(2,093)
Cash and cash equivalents at end of financial period	39,721	49,946	39,721	49,946

Note 1

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

Cash and cash equivalents as per Statement of Financial Position	45,822	67,654	45,822	67,654
Less: Fixed deposits pledged with banks	(6,101)	(17,708)	(6,101)	(17,708)
	39,721	49,946	39,721	49,946

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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)	-	30	(440)	(53)	(493)
Profit for the financial period	-	-	-	-	-	2,986	2,986	876	3,862
Other comprehensive income for the financial period	-	-	-	-	-	-	-	-	-
Foreign currency differences on translation of foreign operations	-	(823)	-	-	-	-	(823)	88	(735)
Total comprehensive income for the financial period	-	(823)	-	-	-	2,986	2,163	964	3,127
Contributions by and distributions to the owners of the parent	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(4,964)	(4,964)	-	(4,964)
Total transactions with the owners of the parent	-	-	-	-	-	(4,964)	(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 30 September 2018	37,288	(323)	(123)	-	5,345	55,360	97,547	8,930	106,477
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	-	-	-	-	-	6,192	6,192	691	6,883
Other comprehensive income for the financial period	-	-	-	-	-	-	-	-	-
Foreign currency differences on translation of foreign operations	-	(2,561)	-	-	-	-	(2,561)	(482)	(3,043)
Fair value gain on available-for-sale financial assets	-	-	-	101	-	-	101	-	101
Total comprehensive income for the financial period	-	(2,561)	-	101	-	6,192	3,732	209	3,941
Contributions by and distributions to the owners of the parent	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(2,973)	(2,973)	-	(2,973)
Total transactions with the owners of the parent	-	-	-	-	-	(2,973)	(2,973)	-	(2,973)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	-
Dividends paid by a subsidiary	-	-	-	-	-	-	-	(58)	(58)
Total transactions with non-controlling shareholders	-	-	-	-	-	-	-	(58)	(58)
Balance at 30 September 2017	37,288	872	(123)	442	5,345	53,607	97,431	8,045	105,476

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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 period	-	3,166	-	3,166
Total comprehensive income for the financial period	-	3,166	-	3,166
Transaction with the owners				
Dividends paid	-	(4,964)	-	(4,964)
Total transactions with the owners	-	(4,964)	-	(4,964)
Balance at 30 September 2018	37,288	21,316	-	58,604
Balance at 1 January 2017	37,288	26,069	341	63,698
Profit for the financial period	-	1,755	-	1,755
Other comprehensive income for the financial period				
Fair value gain on available-for-sale financial assets	-	-	101	101
Total comprehensive income for the financial period	-	1,755	101	1,856
Transactions with the owners				
Dividends paid	-	(2,973)	-	(2,973)
Total transactions with the owners	-	(2,973)	-	(2,973)
Balance at 30 September 2017	37,288	24,851	442	62,581

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 measured 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 \$493,000 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 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.

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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 \$106.2m for the three months ended 30 September 2018 ("3Q2018"), an increase of 13.3% or \$12.5m compared to the revenue of \$93.7m for the three months ended 30 September 2017 ("3Q2017"). For the nine months ended 30 September 2018 ("9M2018"), the Group achieved revenue of \$319.0m, a year-on-year increase of 7.4% or \$21.9m, compared to revenue of \$297.1m achieved for the nine months ended 30 September 2017 ("9M2017").

Comparing 3Q2018 to three months ended 30 June 2018 ("2Q2018"), the Group revenue increased by 5.8% or \$5.8m, from \$100.4m to \$106.2m.

For 3Q2018, the IT Division accounted for 98.3% of the Group's revenue, while the PCB Division accounted for the remaining 1.7% of the Group's revenue.

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REVENUE

IT Division

The IT Distribution business achieved quarterly revenue of \$104.4m in 3Q2018, an increase of 14.9% or \$13.5m, from \$90.9m in 3Q2017. On a nine month basis, this business grew by 9.8% or \$27.9m, from \$285.9m in 9M2017 to \$313.8m in 9M2018.

Comparing 3Q2018 to 2Q2018, revenue increased by 5.1% or \$5.1m, from \$99.3m in 2Q2018 to \$104.4m in 3Q2018.

The increase in revenue in 3Q2018 was mainly due to few big transactions closed during 3Q2018.

PCB Division

Revenue in this Division decreased by 35.7% or \$1.0m, from \$2.8m in 3Q2017 to \$1.8m in 3Q2018. The decrease was mainly due to lower demand from customers.

Comparing 3Q2018 to 2Q2018, revenue in this Division increased by 63.6% or \$0.7m from \$1.1m in 2Q2018 to \$1.8m in 3Q2018.

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PROFIT BEFORE TAX (“PBT”)

The Group registered a PBT of \$1.8m in 3Q2018, as compared to \$1.9m in 3Q2017.

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

- (1) An allowance for doubtful third party trade receivables of \$494,000 in 3Q2018, as compared to a reversal of allowance of \$200,000 in 3Q2017, based on the impairment review performed in 3Q2018 in accordance to SFRS(I) 9;
- (2) An increase in allowance for inventory obsolescence of \$429,000 from \$259,000 in 3Q2017 to \$688,000 in 3Q2018, based on the review of inventory obsolescence performed in 3Q2018;
- (3) An increase in net foreign exchange loss of \$870,000 from \$811,000 in 3Q2017 to \$1.7m in 3Q2018, mainly due to appreciation of United States dollar against local currencies in 3Q2018. Excluding net foreign exchange loss, the Group reported a PBT of \$3.5m in 3Q2018, compared to a PBT of \$2.7m in 3Q2017; and
- (4) A loss on disposal of plant and equipment of \$2,000 in 3Q2018 as compared to a gain on disposal of plant and equipment of \$110,000 in 3Q2017.

The drop in PBT was however ameliorated by the following:

- (1) An increase of \$1.0m in gross profit mainly due to the increase in revenue in IT business. The gross profit margin dropped by 0.8 percent point from 14.7% in 3Q2017 to 13.9% in 3Q2018, mainly due to the drop in gross profit margin in PCB division resulted from the decrease in revenue in PCB business.
- (2) A decrease in depreciation expenses of \$297,000 from \$632,000 in 3Q2017 to \$335,000 in 3Q2018, mainly due to some of the plant and machineries which have been fully depreciated and depreciation of Chinese renminbi against Singapore dollar;
- (3) An increase in other income of \$257,000 from \$2,000 in 3Q2017 to \$259,000 in 3Q2018 mainly due to the increase in freight income and marketing income in 3Q2018; and
- (4) Fair value gain of \$28,000 in investment in life insurance plan in 3Q2018. There was no such fair value gain in 3Q2017 as the investment was classified as available-for-sale financial assets with fair value changes recognized in other comprehensive income in 3Q2017. 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.

Comparing 3Q2018 to 2Q2018, the Group PBT stood at \$1.8m in 3Q2018 as compared to \$1.3m in 2Q2018, mainly due to higher gross profit in 3Q2018 as a result of higher revenue, offset by the increase in net foreign exchange loss in 3Q2018.

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PROFIT AFTER TAX (“PAT”)

Group PAT increased by 41.7% or \$0.5m, from a profit of \$1.2m in 3Q2017 to \$1.7m in 3Q2018. The increase was mainly due to the decrease in income tax expenses in 3Q2018 as a result of reversal of withholding tax accrued.

Comparing 3Q2018 to 2Q2018, Group PAT increased by \$2.5m from a loss after income tax of \$799,000 in 2Q2018 to a profit of \$1.7m in 3Q2018. The increase was mainly due to capital gain tax on capital return from a subsidiary and withholding tax accrued in 2Q2018.

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 30 September 2018 compared to 31 December 2017.

Property, plant and equipment increased by \$2.4m and \$391,000 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 a 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 measured 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 \$31.0m from \$76.8m to \$45.8m. 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, dividend payment and advance to a subsidiary.

Trade and other receivables of the Group level increased by \$15.0m from \$101.3m to \$116.3m, mainly due to delay in customer collections. At the Company level, trade and other receivables increased by \$1.6m from \$34.1m to \$35.7m, mainly due to advance to a subsidiary.

Inventories at the Group level increased by \$6.1m from \$31.4m to \$37.5m mainly due to increased purchases to cater for contracts not yet fulfilled.

Current income tax recoverable increased by \$1.5m from \$1.6m to \$3.1m at the Group level mainly due to the increase in tax deducted at source in 9M2018. There was no change at the Company level.

Trade and other payables increased by \$5.8m from \$93.5m to \$99.3m at the Group level due mainly to increase in purchases to cater for contracts not yet fulfilled. At the Company level, trade and other payables decreased from \$2.7m to \$1.9m mainly due to accrued operating expenses paid off in 9M2018.

Bank borrowings decreased by \$9.6m from \$25.7m to \$16.1m at the Group level mainly due to repayments of bank borrowings. At Company level, borrowings decreased from \$18.2m to \$13.1m mainly due to the same reason.

Foreign currency translation account of \$323,000 instead of foreign currency translation reserve of \$500,000 at the Group level mainly due to appreciation of United States dollar against Singapore dollar and reclassification of foreign currency translation account upon disposal of a subsidiary during the year.

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CASH FLOW ANALYSIS

Net cash of \$10.9m was used in operating activities in 9M2018, as compared to net cash of \$128,000 generated in 9M2017. This was mainly due to delay in customer collections 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 \$4.2m was used in investing activities in 9M2018, as compared to \$6.5m generated in 9M2017. The change was mainly due to purchase of property, plant and equipment of \$4.3m, net of proceeds from disposal of plant and equipment of \$129,000 in 9M2018, as compared to proceeds from disposal of plant and equipment of \$7.5m, net of purchase of plant and equipment of \$1.0m in 9M2017.

Net cash of \$961,000 was used in financing activities in 9M2018 as compared to \$4.6m used in 9M2017. This was mainly due to repayment of bank borrowings of \$64.4m, dividend payment of \$5.0m, net of proceeds from bank borrowings of \$55.2m and a lift in fixed deposits pledged of \$13.7m in 9M2018, as compared to repayment of bank borrowings of \$50.7m, an increase in pledged fixed deposits of \$16.9m and dividend payment of \$3.0m, net of proceeds from bank borrowings of \$66.5m in 9M2017.

Cash and cash equivalents stood at \$39.7m as at end of 30 September 2018, down from \$49.9m as at the end of 30 September 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 14.9% and 9.8% in 3Q2018 and 9M2018 respectively over the corresponding periods in year 2017.

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 30 September 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.

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, 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 3Q2018 to 3Q2017, the revenue for this quarter decreased by 35.7% or \$1.0m, from \$2.8m in 3Q2017 to \$1.8m in 3Q2018. The decrease was mainly due to lower demand from customers. On a nine month basis, revenue decreased by 53.6% or \$6.0m from \$11.2m in 9M2017 to \$5.2m in 9M2018, 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.

As at 30 September 2018, the Group has 32 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.

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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, 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.

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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 3Q2018 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 30 Sep 2018		As at 31 Dec 2017	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
6,204	8,890	16,248	8,154

Amount repayable after one year

As at 30 Sep 2018		As at 31 Dec 2017	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
984	-	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 30 Sep 2018	90,095	37,288	37,288
Balance at 1 Jan 2017 and 30 Sep 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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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		9 months ended	
	30-Sep-2018	30-Sep-2017	30-Sep-2018	30-Sep-2017
(i) Based on weighted average number of shares	1.34 cents	0.85 cents	3.31 cents	6.87 cents
- Weighted average number of shares ('000)	90,095	90,095	90,095	90,095
(ii) On fully diluted basis	1.34 cents	0.85 cents	3.31 cents	6.87 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-Sep-2018	31-Dec-2017	30-Sep-2018	31-Dec-2017
Net asset value per share based on existing issued share capital as at the respective period	108.27 cents	111.87 cents	65.05 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 was declared/recommended for the third quarter ended 30 September 2018.

Table below summarized the year-to-date dividend declared for the financial year 2018.

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

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10. DIVIDEND (Continued)

(b) Corresponding Financial Period of the Immediately Preceding Financial Year

No dividend was declared/recommended for the third quarter ended 30 September 2017.

Table below summarized the year-to-date dividend declared for the financial year 2017.

Name of Dividend	2017 Interim Ordinary Tax Exempt – 1-Tier	2017 Total
Dividend Type	Cash	Cash
Dividend Amount (Cents Per Share)	1.11	1.11

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.

BY ORDER OF THE BOARD

Foo Suan Sai
Chief Executive Officer
26 October 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 third quarter ended 30 September 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 October 2018

Han Juat Hoon
Chief Operating Officer
Singapore, 26 October 2018