



MEGACHEM LIMITED

Un-audited Financial Statements and Dividend Announcement

For The Full Year Ended
31 December 2019

This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor").

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("Exchange") and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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UNAUDITED RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2019

The directors of Megachem Limited are pleased to advise the following unaudited results of the Group for the full year ended 31 December 2019.

1(a)(i) An income statement and statement of comprehensive income or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FULL YEAR ENDED 31 DECEMBER 2019

	Unaudited For the full year ended 31 December 2019 S\$	Audited For the full year ended 31 December 2018 S\$	Variance Favourable/(Unfavourable) S\$'000 %	
Revenue	113,784,989	117,878,212	(4,093)	(3.5%)
Cost of sales	<u>(85,604,642)</u>	<u>(88,430,592)</u>	2,826	3.2%
Gross profit	28,180,347	29,447,620	(1,267)	(4.3%)
Other income	586,166	423,067	163	38.6%
Distribution costs	(15,477,071)	(15,700,699)	224	1.4%
Administrative expenses	(5,543,061)	(5,338,439)	(205)	(3.8%)
Other operating expenses	(2,873,862)	(3,470,794)	597	17.2%
Finance costs	(1,016,066)	(750,178)	(266)	(35.4%)
Share of profit of associated companies	1,110,220	771,491	339	43.9%
Profit before income tax	4,966,673	5,382,068	(415)	(7.7%)
Income tax expense	<u>(984,645)</u>	<u>(1,108,983)</u>	124	11.2%
Net profit after tax	3,982,028	4,273,085	(291)	(6.8%)
Other comprehensive income:				
Exchange differences on translating foreign operations, net of tax	<u>347,223</u>	<u>338,798</u>	8	2.5%
Total comprehensive income	4,329,251	4,611,883	(283)	(6.1%)
Net profit attributable to:				
Equity holders of the Company	3,843,641	4,079,825	(236)	(5.8%)
Non-controlling interests	<u>138,387</u>	<u>193,260</u>	(55)	(28.4%)
Net profit	3,982,028	4,273,085	(291)	(6.8%)
Total comprehensive income attributable to:				
Equity holders of the Company	4,210,604	4,409,563	(199)	(4.5%)
Non-controlling interests	<u>118,647</u>	<u>202,320</u>	(84)	(41.4%)
Total comprehensive income	4,329,251	4,611,883	(283)	(6.1%)
Earnings per share of profit attributable to equity holders of the Company during the financial year				
- basic and diluted	<u>2.88 cents</u>	<u>3.06 cents</u>	(0.18)	(5.9%)

1(a)(ii) The following items have been included in arriving at profit for the year:

	Unaudited For the full year ended 31 December 2019 S\$	Audited For the full year ended 31 December 2018 S\$
<u>Other income</u>		
Bad debt recovered	352,111	113,344
Change in fair value of financial assets at fair value through profit or loss	4,919	45,323
Dividend income	4,922	1,986
Gain on disposal of property, plant and equipment	6,507	44,597
Grant income	16,739	78,370
Interest income from banks	184,410	122,673
Rental income	16,558	16,774
	586,166	423,067
Change in fair value of financial assets at fair value through profit or loss		
- forward foreign exchange contracts	4,919	45,323
- listed equity security	(117,500)	(240,000)
Change in fair value of financial liabilities at fair value through profit or loss		
- forward foreign exchange contracts	(50,010)	(13,712)
Depreciation and amortisation	(1,230,048)	(912,110)
Finance costs	(1,016,066)	(750,178)
Impairment of trade receivables	(96,350)	(338,020)
Net foreign exchange loss	(106,408)	(748,070)
Write down of inventory	(401,725)	(74,008)
Adjustment for over provision for tax in respect of prior reporting years	77,509	55,775
Gain on disposal of property plant and equipment	6,507	44,597

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	<u>Group</u>		<u>Company</u>	
	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>	<u>Audited</u>
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>	<u>S\$</u>
ASSETS				
Non-current assets				
Property, plant and equipment	10,288,945	10,711,685	1,345,621	1,453,931
Right of use assets	2,803,351	-	1,135,430	-
Investment property	75,886	79,165	-	-
Investments in subsidiaries	-	-	5,871,772	5,871,772
Investments in associated companies	6,609,815	5,760,592	2,798,756	2,798,756
Transferable club memberships	26,959	27,012	4,001	4,001
Other receivables	-	-	808,080	-
Deferred tax assets	442,306	261,574	-	-
	<u>20,247,262</u>	<u>16,840,028</u>	<u>11,963,660</u>	<u>10,128,460</u>
Current assets				
Inventories	25,419,242	26,086,640	9,738,588	11,333,191
Trade and other receivables	22,945,824	24,082,338	14,704,424	17,937,409
Financial assets at fair value through profit or loss	227,490	383,606	222,500	340,145
Other current assets	2,444,336	2,118,083	334,383	212,086
Cash and bank balances	14,880,406	12,199,484	1,934,510	1,669,521
	<u>65,917,298</u>	<u>64,870,151</u>	<u>26,934,405</u>	<u>31,492,352</u>
Total assets	<u>86,164,560</u>	<u>81,710,179</u>	<u>38,898,065</u>	<u>41,620,812</u>
EQUITY AND LIABILITIES				
Capital and reserves attributable to equity holders of the Company				
Share capital	15,892,028	15,892,028	15,892,028	15,892,028
Other reserves	(3,852,217)	(4,219,180)	-	-
Retained earnings	37,596,451	35,485,710	7,029,968	7,996,206
	<u>49,636,262</u>	<u>47,158,558</u>	<u>22,921,996</u>	<u>23,888,234</u>
Non-controlling interests	<u>2,809,727</u>	<u>2,781,126</u>	<u>-</u>	<u>-</u>
Total equity	<u>52,445,989</u>	<u>49,939,684</u>	<u>22,921,996</u>	<u>23,888,234</u>
Non-current liabilities				
Financial liabilities - lease liabilities	2,572,232	-	1,142,914	-
Borrowings	864,534	1,309,229	-	-
	<u>3,436,766</u>	<u>1,309,229</u>	<u>1,142,914</u>	<u>-</u>
Current liabilities				
Current income tax liabilities	241,614	215,584	91,000	48,612
Trade and other payables	12,142,014	12,036,224	5,554,639	6,212,188
Financial liabilities - lease liabilities	282,727	-	13,279	-
Borrowings	17,564,633	18,196,152	9,174,237	11,468,755
Financial liabilities at fair value through profit or loss	50,817	13,306	-	3,023
	<u>30,281,805</u>	<u>30,461,266</u>	<u>14,833,155</u>	<u>17,732,578</u>
Total liabilities	<u>33,718,571</u>	<u>31,770,495</u>	<u>15,976,069</u>	<u>17,732,578</u>
Total equity and liabilities	<u>86,164,560</u>	<u>81,710,179</u>	<u>38,898,065</u>	<u>41,620,812</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31 December 2019		As at 31 December 2018	
Secured	Unsecured	Secured	Unsecured
S\$5,476,449	S\$12,088,184	S\$2,832,814	S\$15,363,338

Amount repayable after one year

As at 31 December 2019		As at 31 December 2018	
Secured	Unsecured	Secured	Unsecured
S\$864,534	-	S\$1,309,229	-

Details of collateral

The secured borrowings were collateralized on:

- i. fixed and floating charges over all the assets and undertaking of subsidiaries, including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future;
- ii. mortgage over property of a subsidiary located at 11 Tuas Link 1 Singapore 638588; and
- iii. mortgage over industrial land of a subsidiary at Seri Alam Industrial Park, Sungai Kapar Indah, Klang, Selangor, Malaysia.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED CASH FLOW STATEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2019

	Unaudited For the full year ended 31 December 2019 S\$	Audited For the full year ended 31 December 2018 S\$
Cash flows from operating activities		
Net profit	3,982,028	4,273,085
Adjustments for:		
Change in fair value of financial assets	117,500	240,000
Depreciation charge	864,717	912,110
Depreciation of right of use assets	365,331	-
Dividend income	(4,922)	(1,986)
Gain on disposal of property, plant and equipment	(6,507)	(44,597)
Share of profit of associated companies	(1,110,220)	(771,491)
Income tax expense	984,645	1,108,983
Interest income	(184,410)	(122,673)
Finance costs	1,016,066	750,178
Operating cash flow before working capital changes	6,024,228	6,343,609
Change in operating assets and liabilities		
Trade and other receivables and other current assets	580,325	2,769,586
Inventories	543,423	(2,229,235)
Financial assets at fair value through profit or loss	(4,919)	(45,323)
Trade and other payables	367,946	(2,982,471)
Financial liabilities at fair value through profit or loss	50,010	13,712
Foreign exchange adjustment differences	(58,451)	(46,417)
Cash generated from operations	7,502,562	3,823,461
Income tax paid	(1,076,160)	(1,337,161)
Interest received	181,585	122,673
Net cash from operating activities	6,607,987	2,608,973
Cash flows from investing activities		
Dividends received from associated company and listed equity	701,648	664,965
Purchase of property, plant and equipment	(459,498)	(749,226)
Proceeds from sale of property, plant and equipment	16,730	44,662
Net cash from/(used in) investing activities	258,880	(39,599)
Cash flows from financing activities		
Dividends paid	(1,732,900)	(1,866,200)
Dividends paid by subsidiary to non-controlling shareholders	(90,046)	-
Lease liabilities - principal portion paid	(313,646)	-
Repayments of long term bank loans	(818,276)	(809,172)
(Repayments)/proceeds from bills payables	(2,085,168)	861,998
Proceeds from short term bank loans	1,917,208	2,851,714
Interest paid	(1,008,697)	(710,481)
Net cash (used in)/from financing activities	(4,131,525)	327,859
Net increase in cash and cash equivalents held	2,735,342	2,897,233
Cash and cash equivalents, statement of cash flow, beginning balance	12,199,484	9,344,937
Effects of exchange rate changes on cash and cash equivalents	(54,420)	(42,686)
Cash and cash equivalents, statement of cash flow, ending balance	14,880,406	12,199,484

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENT OF CHANGES IN EQUITY FOR THE FULL YEAR ENDED 31 DECEMBER 2019

		Attributable to equity holders of the Company					Non-controlling interests S\$
		Total equity S\$	Parent Sub-total S\$	Share capital S\$	Other reserves S\$	Retained earnings S\$	
<u>The Group</u>							
Current year :							
Opening balance at 1 January 2019		49,939,684	47,158,558	15,892,028	(4,219,180)	35,485,710	2,781,126
Total comprehensive income for the reporting year		4,329,251	4,210,604	-	366,963	3,843,641	118,647
Final dividend relating to 2018 paid		(1,066,400)	(1,066,400)	-	-	(1,066,400)	-
Interim dividend relating to 2019 paid		(666,500)	(666,500)	-	-	(666,500)	-
Final dividends paid to non-controlling interests		(90,046)	-	-	-	-	(90,046)
Closing balance at 31 December 2019		52,445,989	49,636,262	15,892,028	(3,852,217)	37,596,451	2,809,727
Previous year :							
Opening balance at 1 January 2018		47,194,001	44,615,195	15,892,028	(4,548,918)	33,272,085	2,578,806
Total comprehensive income for the reporting year		4,611,883	4,409,563	-	329,738	4,079,825	202,320
Final dividend relating to 2017 paid		(933,100)	(933,100)	-	-	(933,100)	-
Interim dividend relating to 2018 paid		(933,100)	(933,100)	-	-	(933,100)	-
Closing balance at 31 December 2018		49,939,684	47,158,558	15,892,028	(4,219,180)	35,485,710	2,781,126

<u>The Company</u>	Total equity S\$	Share capital S\$	Retained earnings S\$
Curent year :			
Opening balance at 1 January 2019	23,888,234	15,892,028	7,996,206
Total comprehensive income for the reporting year	766,662	-	766,662
Final dividend relating to 2018 paid	(1,066,400)	-	(1,066,400)
Interim dividend relating to 2019 paid	(666,500)	-	(666,500)
Closing balance at 31 December 2019	22,921,996	15,892,028	7,029,968
Previous year :			
Opening balance at 1 January 2018	24,837,363	15,892,028	8,945,335
Total comprehensive income for the reporting year	917,071	-	917,071
Final dividend relating to 2017 paid	(933,100)	-	(933,100)
Interim dividend relating to 2018 paid	(933,100)	-	(933,100)
Closing balance at 31 December 2018	23,888,234	15,892,028	7,996,206

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There have been no changes in the Company's issued share capital since the end of the previous financial period reported on being 30 June 2019.

There were no unissued shares in the capital of the Company reserved for the exercise of any option nor were there any treasury shares as at the end of the financial years ended 31 December 2019 and 31 December 2018.

There were no outstanding convertibles and subsidiary holdings as at the end of the financial years ended 31 December 2019 and 31 December 2018.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued ordinary shares, excluding treasury shares, as at the end of the financial years ended 31 December 2019 and 31 December 2018 was 133,300,000 shares.

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

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

1(d)(v) A statement showing all sales, transfers, disposals, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

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

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

The figures have not been audited or reviewed.

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

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

- a) Updates on the efforts taken to resolve each outstanding audit issue.
- b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern. For the avoidance of doubt, if an issuer receives a modified opinion due to various factors (one of which relates to going concern), the updates and confirmation required above will only be applicable to the other factors excluding going concern issues.

Not applicable. The Group's latest audited financial statements for the financial year ended 31 December 2018 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as those of the audited financial statements for the financial year ended 31 December 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

On 1 January 2019, the Group adopted the new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") and the related Interpretations to SFRS(I)s ("SFRS(I) INT") that are relevant to its operations and mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective SFRS(I) and SFRS(I) INT.

The adoption of the new and revised SFRS(I) has no material impact on the Group's financial statements except for SFRS(I) 16 Leases. Under the new financial reporting standard, for the lessee, almost all leases (except leases less than 12 months and leases of low-value assets) will be brought onto the Statement of Financial Position by recognizing a right-of-use asset and a corresponding liability. For the lessor, the accounting remains largely unchanged.

The Group recognized its existing operating lease arrangements (except leases less than 12 months and leases of low-value assets) where the Group is a lessee as right of use assets equal to its lease liabilities as at 1 January 2019 in accordance with SFRS(I) 16.

The nature of expenses related to the leases will correspondingly change. Operating rental expenses previously recognised in the Statement of Comprehensive Income will be replaced with depreciation charge for right of use asset and finance costs for lease liabilities.

Impact of change in accounting policy for leases on Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income

Consolidated Statement of Financial Position	Adjustment on 1 January 2019	
	Group	Company
	S\$	S\$
Right of use assets	2,776,056	1,168,825
Financial liabilities - lease liabilities	(2,776,056)	(1,168,825)

Consolidated Statement of Comprehensive Income	For the full year ended 31 December 2019	
	Group	
	S\$	
	Increase/(decrease)	
Rental expenses	(409,280)	
Travelling and transport expense	(47,524)	
Depreciation of right of use assets	365,331	
Finance costs	143,158	

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

	For the full year ended 31 December 2019	For the full year ended 31 December 2018
Earnings per ordinary shares (in cents)		
a) Based on weighted average number of ordinary shares on issue	2.88	3.06
b) On a fully diluted basis	2.88	3.06
Weighted average number of ordinary shares in issue for earnings per share	133,300,000	133,300,000

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

- (a) current financial year reported on; and**
(b) immediately preceding financial year.

	<u>Group</u>		<u>Company</u>	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Net asset value per ordinary share based on issued share capital (cents)	37.24	35.38	17.20	17.92
No of ordinary shares used in calculation	133,300,000	133,300,000	133,300,000	133,300,000

8. REVIEW OF PERFORMANCE

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

Profitability Highlights	H2 2018	H1 2019	H2 2019	Variance H2 2019 vs H1 2019		Variance H2 2019 vs H2 2018	
				Fav/(Unfav)	%	Fav/(Unfav)	%
Sales (S\$'mil)	58.9	55.8	58.0	2.2	4.0%	(0.8)	(1.4%)
Gross profit (S\$'mil)	14.5	14.1	14.1	-	na	(0.4)	(2.8%)
Gross profit margin	24.6%	25.2%	24.3%	(0.9% pts)	na	(0.3% pts)	na
Total operating expenses and finance costs (S\$'mil)	12.6	12.2	12.7	(0.5)	(4.1%)	(0.1)	(0.7%)
Other income (S\$'000)	65	223	363	140	62.7%	298	462.1%
Share of profit of associated companies (S\$'000)	391	476	634	158	33.4%	243	62.3%
Profit before income tax (S\$'mil)	2.3	2.6	2.4	(0.2)	(6.5%)	0.1	2.2%
Net profit (S\$'mil)	1.9	2.0	2.0	-	na	0.1	4.9%
Net profit margin	3.2%	3.6%	3.4%	(0.2% pts)	na	0.2% pts	na
EBITDA (S\$'mil)	3.1	3.6	3.4	(0.2)	(4.3%)	0.3	9.9%
EBITDA margin	5.3%	6.4%	5.9%	(0.5% pts)	na	0.6% pts	na
Earnings per share attributable to the equity holders of the Company (cents)	1.36	1.44	1.44	-	-	0.08	5.9%
Annualised return on equity (ROE)	7.7%	8.0%	7.7%	(0.3% pts)	na	-	-

Profitability Highlights	FY 2018	FY 2019	Variance FY 2019 vs FY 2018	
			Fav/(Unfav)	%
Sales (S\$'mil)	117.9	113.8	(4.1)	(3.5%)
Gross profit (S\$'mil)	29.4	28.2	(1.3)	(4.3%)
Gross profit margin	25.0%	24.8%	(0.2% pts)	na
Total operating expenses and finance cost (S\$'mil)	25.3	24.9	0.4	1.4%
Other income (S\$'000)	423	586	163	38.6%
Share of profit of associated companies (S\$'000)	771	1,110	339	43.9%
Profit before income tax (S\$'mil)	5.4	5.0	(0.4)	(7.7%)
Net profit after tax (S\$'mil)	4.3	4.0	(0.3)	(6.8%)
Net profit after tax margin	3.6%	3.5%	(0.1% pts)	na
EBITDA (S\$'mil)	6.9	7.0	0.1	1.5%
EBITDA margin	5.9%	6.2%	0.3% pts	na
Earnings per share attributable to the equity holders of the Company (cents)	3.06	2.88	(0.18)	(5.9%)
Annualised return on equity (ROE)	8.7%	7.7%	(1.0% pts)	na

na : not applicable

8(a) PROFITABILITY ANALYSIS

8(a)(i) Sales

	H2 2018	H1 2019	H2 2019	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2019 vs H1 2019	%	H2 2019 vs H2 2018	%
ASEAN	37,723	36,561	37,002	441	1.2	(721)	(1.9)
North Asia	7,761	6,795	8,757	1,962	28.9	996	12.8
Europe	4,514	4,897	4,427	(470)	(9.6)	(87)	(1.9)
Middle East	3,540	3,367	3,135	(232)	(6.9)	(405)	(11.5)
South Asia	2,683	2,280	2,255	(25)	(1.1)	(428)	(15.9)
Australia	2,545	1,770	2,274	504	28.5	(271)	(10.7)
America	86	106	145	39	36.5	59	70.1
Africa	-	2	12	10	481.7	12	100.0
Total	58,852	55,778	58,007	2,229	4.0	(845)	(1.4)

	FY 2018		FY 2019		Variance Fav/(Unfav)	
	S\$'000	%	S\$'000	%	S\$'000	%
ASEAN	75,854	64.4	73,563	64.7	(2,291)	(3.0)
North Asia	16,063	13.6	15,552	13.7	(511)	(3.2)
Europe	8,352	7.1	9,323	8.2	971	11.6
Middle East	6,417	5.4	6,502	5.7	85	1.3
Australia	5,452	4.6	4,044	3.5	(1,408)	(25.8)
South Asia	5,177	4.4	4,535	4.0	(642)	(12.4)
America	563	0.5	252	0.2	(311)	(55.3)
Africa	-	-	14	-	14	100.0
Total	117,878	100.0	113,785	100.0	(4,093)	(3.5)

Geographic Segment Sales Analysis

H2 2019 vs H1 2019

After a dip in sales in the first half of 2019 ("H1 2019"), sales to North Asia and Australia grew notably by S\$2.0 million or 28.9% and S\$0.5 million or 28.5% respectively in the second half of 2019 ("H2 2019"). Sales to ASEAN picked up marginally by S\$0.4 million or 1.2%.

On the other hand, sales to Europe markets dipped by S\$0.5 million or 9.6% after an increase in H1 2019 and sales to Middle East and South Asia markets recorded consecutive fall in H2 2019.

This resulted in an overall increase of S\$2.2 million or 4.0% in total sales to S\$58.0 million in H2 2019.

H2 2019 vs H2 2018

As compared to the second half of 2018 ("H2 2018"), total sales of H2 2019 was marginally lower by S\$0.8 million or 1.4%. The biggest decline was from the ASEAN market which decreased by S\$0.7 million or 1.9% while other markets such as Middle East, South Asia and Australia decreased in the range of S\$0.3 million to S\$0.4 million.

The fall was partly offset by an increase in sales in North Asia market of S\$1.0 million or 12.8%.

FY 2019 vs FY 2018

Because of lower business confidence amongst customers and softer prices, sales for the full year of 2019 ("FY 2019") decreased by S\$4.1 million or 3.5% to S\$113.8 million as compared to full year of 2018 ("FY 2018").

The decline was broad based across major markets such as ASEAN, North and South Asia, Australia and America. ASEAN and Australia sales fell S\$2.3 million or 3.0% and S\$1.4 million or 25.8% respectively.

This was followed by North Asia, South Asia and America markets which decline by S\$0.5 million, S\$0.6 million and S\$0.3 million respectively.

On the other hand, Europe recorded higher sales of S\$1.0 million or 11.6% while sales to Middle East improved marginally by S\$0.1 million or 1.3%.

Business Activity Segment Sales Breakdown

	H2 2018	H1 2019	H2 2019	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2019 vs H1 2019	%	H2 2019 vs H2 2018	%
Distribution activity	56,875	54,103	55,935	1,832	3.4	(940)	(1.7)
Manufacturing activity	1,977	1,675	2,072	397	23.7	95	4.8
Total Sales	58,852	55,778	58,007	2,229	4.0	(845)	(1.4)

	FY 2018	FY 2019	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Distribution activity	114,153	110,038	(4,115)	(3.6)
Manufacturing activity	3,725	3,747	22	0.6
Total Sales	117,878	113,785	(4,093)	(3.5)

H2 2019 vs H1 2019

H2 2019 vs H2 2018

Sales from both segments picked up in H2 2019 as compared to H1 2019.

Sales from distribution segment increased by S\$1.8 million or 3.4% in H2 2019 over H1 2019 but were marginally lower by S\$0.9 million or 1.7% as compared to H2 2018.

Sales from the contract manufacturing segment recorded higher sales of S\$2.1 million in H2 2019, an increase of S\$0.4 million or 23.7% as compared to H1 2019 and S\$0.1 million or 4.8% improvement vis-à-vis H2 2018.

FY 2019 vs FY 2018

Year-on-year, sales from distribution segment decreased by S\$4.1 million or 3.6% due to broad based decline across most major markets while sales from manufacturing segment remain relatively unchanged at S\$3.7 million.

8(a)(ii) Gross profit

H2 2019 vs H1 2019

Gross profit margin for H2 2019 decreased by 0.9%-point as compared to H1 2019 mainly due to higher inventory write down and partly because of lower gross profit margins across certain major markets such as North Asia and Europe.

However, gross profit remained flat at S\$14.1 million because of higher sales achieved in H2 2019 vis-à-vis H1 2019.

H2 2019 vs H2 2018

Although gross profit margin for H2 2019 (24.3%) was relatively unchanged as compared to H2 2018 (24.6%), gross profit decreased by S\$0.4 million or 2.8% as a result of lower sales achieved.

FY 2019 vs FY 2018

Due to higher inventory write down in the current year, gross profit margin for FY 2019 dipped by 0.2%-point year-on-year. Coupled with lower sales in FY 2019, gross profit decreased by S\$1.3 million or 4.3% vis-à-vis FY 2018.

8(a)(iii) Other income

	H2 2018	H1 2019	H2 2019	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2019 vs H1 2019		H2 2019 vs H2 2018	
				S\$'000	%	S\$'000	%
Bad debt recovered	73	74	278	204	275.5	205	283.0
Change in fair value of financial assets at fair value through profit or loss							
- forward foreign exchange contracts	(97)	28	(23)	(51)	(182.5)	74	76.1
Grant income	-	17	-	(17)	(100.0)	-	-
Gain on disposal of plant and equipment	-	5	2	(3)	(64.6)	2	100.0
Interest income	79	88	96	8	8.9	17	21.4

	FY 2018	FY 2019	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Bad debt recovered	113	352	239	210.7
Change in fair value of financial assets at fair value through profit or loss				
- forward foreign exchange contracts	45	5	(40)	(89.1)
Grant income	78	17	(61)	(78.6)
Gain on disposal of plant and equipment	45	7	(38)	(85.4)
Interest income	123	184	61	50.3

NM : not meaningful

H2 2019 vs H1 2019

Other income in H2 2019 was higher by S\$0.1 million or 62.7% and this was primarily due to higher bad debt recovered. The bad debt recovered in H2 2019 was mainly from Venezuela customers.

The increase was partly offset by lower fair value gain from forward contracts and lower grant income.

H2 2019 vs H2 2018

Similarly, the increase in other income by S\$0.3 million or 462.1% as compared to H2 2018 was mainly due to bad debt recovered from Venezuela customers. In addition, the reversal of fair value gain from forward contracts was lower in H2 2019.

FY 2019 vs FY 2018

Year-on-year, other income increased by S\$0.2 million or 38.6%. This was due to higher bad debt recovered of S\$0.2 million and higher interest income of S\$0.1 million.

The increase was partially offset by lower grant income, lower fair value gain from forward foreign exchange contracts and lower gain on disposal of plant and equipment.

8(a)(iv) Operating expenses

	H2 2018	H1 2019	H2 2019	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H2 2019 vs H1 2019	H2 2019 vs H1 2019	H2 2019 vs H2 2018	H2 2019 vs H2 2018
				S\$'000	%	S\$'000	%
Change in fair value of financial assets at fair value through profit or loss							
- listed equity security	40	-	118	(118)	(100.0)	(78)	(193.8)
Depreciation of right of use assets	-	186	179	7	3.4	(179)	(100.0)
Impairment of trade receivables	185	82	14	68	82.9	171	92.4
Net foreign exchange loss	211	23	83	(60)	(267.1)	128	60.4
Professional fees	298	271	414	(143)	(53.0)	(116)	(38.8)
Travelling and transport	538	435	465	(30)	(7.0)	73	13.6
Rental	239	72	96	(24)	(35.3)	143	59.6
Warehouse storage charges	1,244	1,258	1,328	(70)	(5.5)	(84)	(6.7)

H2 2019 vs H1 2019

Total operating expenses of S\$12.2 million incurred in H2 2019 were S\$0.5 million or 4.0% higher vis-à-vis H1 2019.

The main reasons contributing to the increase were:

- (i) higher professional fees of S\$0.1 million;
- (ii) higher net foreign exchange loss of S\$0.1 million;
- (iii) higher warehouse storage charges of S\$0.1 million; and
- (iv) fair value loss from listed equity of S\$0.1 million,

The increase was partially offset by lower impairment of trade receivables of S\$0.1 million.

H2 2019 vs H2 2018

As compared to H2 2018, the total operating expenses were relatively unchanged. Higher warehouse storage charges, professional fees and fair value loss from listed equity offset lower impairment of trade receivables, net foreign exchange loss and traveling and transport.

The decrease in rental expenses of S\$143,000 was due to the adoption of SFRS(I) 16 which requires the recognition of right-of-use asset for operating lease arrangement. Correspondingly, depreciation of right of use assets of S\$179,000 was recorded in H2 2019.

FY 2019 vs FY 2018

	FY 2018 S\$'000	FY 2019 S\$'000	Variance Fav/(Unfav) S\$'000 %	
Change in fair value of financial assets at fair value through profit or loss				
- listed equity security	240	118	122	51.0
Depreciation of right of use assets	-	365	(365)	(100.0)
Impairment of trade receivables	338	96	242	71.5
Net foreign exchange loss	748	106	642	85.8
Professional fees	596	685	(89)	(15.0)
Travelling and transport	1,056	900	156	14.8
Rental	481	168	313	65.1
Warehouse storage charges	2,335	2,586	(251)	(10.7)

Lower impairment of trade receivables of S\$0.2 million, lower net foreign exchange loss of S\$0.6 million, lower fair value loss from listed equity of S\$0.1 million and lower travelling expenses of S\$0.2 million were the main reasons that led to the decrease in total operating expenses in FY 2019.

The decrease was partially offset by higher warehouse storage charges of S\$0.3 million and higher professional fees of S\$0.1 million.

Similarly, as explained above, the decrease in rental expenses of S\$0.3 million was due to the adoption of SFRS(I) 16 which requires the recognition of right-of-use asset for operating lease arrangement. Correspondingly, depreciation of right of use assets of S\$0.4 million was recorded in FY 2019.

As a result, total operating expenses decreased by S\$0.6 million or 2.5% to S\$23.9 million year-on-year.

8(a)(v) Finance costs

Finance costs comprised the following:-

	H2 2018 S\$'000	H1 2019 S\$'000	H2 2019 S\$'000	Variance Fav/(Unfav) H2 2019 vs H1 2019 S\$'000 %		Variance Fav/(Unfav) H2 2019 vs H2 2018 S\$'000 %	
Bills payables	262	272	201	71	26.4	61	23.3
Bank loans	139	153	247	(94)	(61.9)	(108)	(77.0)
Leases for right of use assets	-	72	71	1	1.7	(71)	(100.0)
Total finance costs	401	497	519	(22)	(4.3)	(118)	(29.2)

	FY 2018	FY 2019	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Bills payables	493	473	20	4.0
Bank loans	257	400	(143)	(55.3)
Leases for right of use assets	-	143	(143)	(100.0)
Total finance costs	750	1,016	(266)	(35.4)

H2 2019 vs H1 2019

As compared to H1 2019, total finance costs for H2 2019 increased marginally by S\$22,000 or 4.3% due to higher interest rates and an increase in borrowings.

H2 2019 vs H2 2018

Finance costs on lease liabilities in relation to operating lease arrangements were recorded in accordance with SFRS(I) 16 in H2 2019.

Excluding the finance costs on leases, finance costs for H2 2019 would have increased by S\$47,000 or 11.6% over H2 2018 due to higher interest rates and an increase in borrowings.

FY 2019 vs FY 2018

For same reasons noted above, total finance costs increased by S\$0.3 million or 35.4% year-on-year. Excluding the finance costs on leases, finance costs for FY 2019 would have increased by S\$0.1 million or 16.4%.

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

H2 2019 vs H1 2019

H2 2019 vs H2 2018

Our share of profit of associated companies improved in H2 2019 to S\$0.6 million as compared to S\$0.5 million in H1 2019 as a result of better gross profit margin and lower total expenses.

Vis-à-vis H2 2018, the higher share of profits in H2 2019 was mainly due to absence of impairment loss from a discontinued business and higher profits contribution from acquired distribution business.

FY 2019 vs FY 2018

Our share of profit of associated companies increased by S\$0.3 million or 43.9% as compared to FY 2018 mainly due to absence of impairment loss a discontinued business and profit contribution from the acquired distribution business.

8(a)(vii) Profit before income tax

H2 2019 vs H1 2019

H2 2019 vs H2 2018

Net profit before tax for H2 2019 decreased by S\$0.2 million or 6.5% as compared to H1 2019. The higher total operating expenses and finance costs more than offset the increase in other income and share of profit of associated companies.

On the other hand, although gross profit was lower by S\$0.4 million, net profit before tax for H2 2019 was S\$0.1 million or 2.2% higher than H2 2018 because of higher other income and higher share of profit of associated companies.

FY 2019 vs FY 2018

Net profit before tax decreased by S\$0.4 million or 7.7% year-on-year and the main reason was due to lower sales and hence lower gross profit of S\$1.3 million. The decline was partially cushioned by higher other income, higher share of profit of associated companies and lower total operating expenses.

On the other hand, EBITDA improved slightly by S\$0.1 million to S\$7.0 million mainly because rental expenses were lower under the adoption of SFRS(I) 16.

8(a)(viii) Net profit after tax

H2 2019 vs H1 2019

H2 2019 vs H2 2018

Net profit after tax for H2 2019 at S\$2.0 million was flat as compared to H1 2019 and was S\$0.1 million higher than H2 2018.

FY 2019 vs FY 2018

In line with the lower net profit before tax, net profit after tax decreased by a small magnitude of S\$0.3 million or 6.8% year-on-year.

8(a)(ix) Total comprehensive income

H2 2019 vs H1 2019

H2 2019 vs H2 2018

The translation gains recorded for H2 2019 and H1 2019 of S\$0.2 million and S\$0.1 million respectively were largely due to the appreciation of Thai Baht against Singapore Dollar. On the hand, translation losses of S\$0.2 million incurred in H2 2018 primarily arose from the weakening of Malaysian Ringgit.

As a result, comprehensive income for H2 2019 of S\$2.2 million was S\$0.1 million higher than H1 2019 and S\$0.5 million higher than H2 2018.

FY 2019 vs FY 2018

Translation gains recorded for both FY 2019 and FY 2018, arising mainly from the appreciation of Thai Baht against Singapore Dollar, were flat at S\$0.3 million. Correspondingly, comprehensive income also decreased by S\$0.3 million or 6.1% over FY 2018.

8(b) BALANCE SHEET ANALYSIS

Balance Sheet Highlights	As at		Variance
	31 December 2018	31 December 2019	31 December 2019 vs 31 December 2018 Fav/(Unfav)
Cash (S\$'mil)	12.2	14.9	2.7
Borrowings (S\$'mil)	19.5	18.4	1.1
Current ratio (times)	2.1	2.2	0.1
Gearing ratio (times)	0.41	0.37	0.04
Net assets per share attributable to equity holders of the Company (cents)	35.38	37.24	1.86
Inventory turnover (days)	118	124	(6)
Trade receivables turnover (days)	84	75	9
Trade payable turnover (days)	35	30	(5)

Property, plant and equipment

There was no significant change in the carrying value of property, plant and equipment as at 31 December 2019 and 31 December 2018. Capital expenditure of S\$0.5 million for plant and machinery and computer was offset by depreciation charge of S\$0.9 million in the current year.

Right-of-use assets

Upon the adoption of SFRS(I) 16, right-of-use assets of S\$2.8 million was recognized as at 1 January 2019. The carrying value remained relatively unchanged at S\$2.8 million as at 31 December 2019 as new lease arrangements recognized of S\$0.4 million were offset by depreciation charge of S\$0.4 million in FY 2019.

Investment in associated companies

The increase in carrying value of our associated companies by S\$0.8 million or 14.7% was mainly due to positive contribution from operation for the current year of S\$1.1 million and translation gain of S\$0.4 million offset by dividend return of S\$0.7 million.

Deferred tax assets

The carrying value of deferred tax assets increased by S\$0.2 million from S\$262,000 as at 31 December 2018 to S\$442,000 as at 31 December 2019, following recognition of more deferred tax asset arising from provision.

Trade and other receivables

Net third party trade receivables decreased by S\$1.9 million or 8.2% from S\$23.5 million as at 31 December 2018 to S\$21.6 million as at 31 December 2019. The reduction was because of slower sales in the current year as compared to last year.

Turnover days for FY 2019 improved to 75 days from 84 days in FY 2018.

Inventories

Inventories decreased by S\$0.7 million or 2.6% from S\$26.1 million as at 31 December 2018 to S\$25.4 million as at 31 December 2019. The decrease in inventories was in line with slower sales in the current year. Hence, inventory turnover days increased to 124 days as compared to 118 days for the full year of 2018.

Other current assets

Other current assets increased by S\$0.3 million to S\$2.4 million as compared S\$2.1 million as at 31 December 2018 mainly due to S\$0.2 million higher advance payments to suppliers for inventory purchase.

Financial assets and financial liabilities at fair value through profit or loss

The decrease in financial assets at fair value through profit or loss was mainly due to fair value loss of S\$118,000 in listed equity and a decrease in fair value gain of forward contracts of S\$39,000.

Financial liabilities at fair value through profit or loss were not significant as at 31 December 2019 and 31 December 2018.

Trade and other payables

Total trade payables increased by S\$0.3 million or 5.7% from S\$6.6 million as at 31 December 2018 to S\$6.9 million at 31 December 2019 while turnover days for FY 2019 decreased to 30 days from 35 days in FY 2018.

Other payables in aggregate consisting of accrued operating expenses, advance payments from customer and sundry payables decreased by S\$0.3 million from S\$5.5 million as at 31 December 2018 to S\$5.2 million as at 31 December 2019. This was primarily due to lower accrued operating expenses and full repayment of amount due to director.

Financial liabilities - lease liabilities

Corresponding to the recognition of right-of-use assets, lease liabilities of S\$2.8 million was recorded as at 1 January 2019. The carrying value increased to S\$2.9 million as at 31 December 2019 as a result of additional lease liabilities recognized of S\$0.4 million offset by S\$0.3 million repayment in the current year.

Borrowings

Total borrowings decreased by S\$1.1 million or 5.5% and this was mainly due to repayment of long term bank loans of S\$0.8 million during the current year and reduction in bills payables and short term loans of S\$0.3 million.

In line with lower borrowings, our gearing ratio decreased marginally from 0.41 times as at 31 December 2018 to 0.37 times as at 31 December 2019.

Net asset value

Net asset value per share increased from 35.38 cents as at 31 December 2018 to 37.24 cents as at 31 December 2019 primarily due to total comprehensive income for the current year of S\$4.2 million offset by dividend payment to shareholders of S\$1.7 million.

8(c) CASH FLOW

As a result of better collection and lower inventory purchases, positive cash flows from operating activities of S\$6.6 million were generated. This was partially utilized to reduce borrowings and satisfy dividends and other financing obligations totaling S\$4.1 million.

Overall cash and cash equivalents increased by S\$2.7 million from S\$12.2 million as at 31 December 2018 to S\$14.9 million as at 31 December 2019.

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

There was no forecast or prospect statement previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

RISK FACTORS

We believe the imminent risks to our financial performance in the year 2020 ("FY 2020") are as follows:

Global economy

Trade and geopolitical tensions pose downside risks to the global economy. If these risk factors do not subside, it may weigh on the prospects for the global economy and the chemical industry. This will then have an impact on our business.

CoronaVirus Impact

China's CoronaVirus has revived global economic fears. With transport links in parts of China restricted as the government seeks to block the spread of the virus, hotels, restaurants and other tourism-related businesses will suffer and production likely to be disrupted. Given that China's economy is major contributor to world economic growth, the slowdown could be felt widely.

Financial market risk

Financial market activity and economic growth are closely linked. Many have warned of stretched market valuations. Should financial market risk escalates into a major correction, it may have an impact on economic growth and hence on our business prospect.

Volatility in energy prices

Volatility in energy prices, caused in part by tensions in Middle-east, may affect chemical prices and demand for chemicals.

Currency risk

We operate internationally and therefore are exposed to foreign currency risks arising from various currency exposures. The currency market remains volatile and difficult to predict. This poses a challenge to our foreign exchange risk management. While we will continue to hedge our exposure, we recognise that there is no perfect hedge. In addition, currencies of certain countries have limited liquidity and carry high hedging cost. Thus, any adverse changes in foreign currency may have an impact on our profitability.

Interest rate risk

Our interest rate risk arises from bank borrowings at floating rates. Any rise in interest rates will increase our borrowing cost.

Credit risk

Our products are sold to more than 2,000 customers across many countries. Although there is no significant concentration of credit risk, the credit risks in some countries are more difficult to assess. Any significant payment default will negatively impact on our financial performance.

Country risk

Our products are sourced and sold globally. Our business may be affected if any of our markets suffers significant escalation in country risk.

Inventory risk

Our business involves keeping inventory of chemicals to meet customers' requirements. In the event of an unexpected fall in customers' demand levels for any product, we may end up with excess inventory. This will have a negative impact on our profitability.

PROSPECTS

2020 Outlook

Following positive progress made in US-China trade negotiation, the year 2020 began with renewed optimism and concerns over the health of the global economy receded. That was soon taken over by fear when CoronaVirus emerged, threatening to put a dent on growth. The extent of its impact on global economy is hard to predict at this juncture although it is clear it will dampen economic growth.

Hence the chemical industry and Megachem's prospects is likely to be weighed down by the economic impact of CoronaVirus but when the effects dissipate, we may see a revival of the economy and consequently our business.

Megachem's robust business model has been tried and tested as can be seen in our profitable track record since inception. Our resilience, coupled with our financial discipline, should enable us to mitigate the risks and overcome the negative impact arising from the CoronaVirus.

2020 – 2030 : Decade of Opportunities

Beyond the immediate term, the next decade opens a door of opportunities for Megachem.

Asia : Driver of Global Growth

Boosted by a rapidly growing middle-class and massive infrastructure investment, Asia will be a major driver of global growth in this decade. Megachem has presence in twelve countries, nine of which are in Asia. Our extensive footprint in Asia places us in a strategic position to ride on the opportunities in this region.

Chemicals : The Industry of Industries

As chemicals are used across a wide spectrum of industries, its demand is closely correlated to economic and industrial activities.

Efforts by governments in Asia to build infrastructure to support economic growth will increase demand of chemicals to be used in construction industries.

The electronics industry uses a broad range of specialty chemicals such as in the manufacture of electronic components and products, printed circuit boards (PCBs) and the manufacture of semiconductors. In this age of Digital Technology and the 4th Industrial Revolution, semiconductors is vital in transforming the way we work and live. As the semiconductor industry enters an exciting phase, the demand for specialty chemicals used in this industry will experience stronger growth than before.

Shift in global demographics towards an aging population will also have implications for the chemical industry, benefiting sales of chemicals to industries such as nutraceutical and pharmaceuticals.

Megachem, with a diversified product portfolio that serves multiple industries, have the expertise and offerings to take advantage of these social and economic developments.

We believe our Asia-centric network and diversified industry coverage will provide us the platform to take advantage of the vast opportunities in this decade.

11. Dividend

(a) Current financial year reported on

Any dividend declared (recommended) for the current financial year ended 31 December 2019? Yes

The directors are pleased to recommend a final tax exempt dividend of 1.0 cent per share in respect of the financial year ended 31 December 2019 for approval by the shareholders at the next Annual General Meeting to be convened.

Name of dividend	Final	Interim
Dividend type	Cash	Cash
Dividend amount per share (in cents)	1.0	0.5
Tax rate	Exempt	Exempt

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the immediately preceding financial year ended 31 December 2018? Yes

Name of dividend	Final	Interim
Dividend type	Cash	Cash
Dividend amount per share (in cents)	0.8	0.7
Tax rate	Exempt	Exempt

(c) Date payable

The final tax exempt dividend of 1.0 cent per share in respect of the financial year ended 31 December 2019, subject to approval by the shareholders at the next Annual General Meeting to be convened, will be paid on 20 May 2020.

(d) Books closure date

The Transfer Books and Register of Members of the Company will be closed on 5 May 2020 for the purpose of determining member's entitlements to the proposed final tax exempt dividend.

Duly completed and stamped transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd), 80 Robinson Road, #02-00, Singapore 068898, up to 5.00pm on 4 May 2020 will be registered to determine member's entitlement to the proposed dividend.

Members (being depositors) whose securities account with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00pm on 4 May 2020 will be entitled to the payment of the proposed dividend.

Payment of the final tax exempt dividend of 1.0 cent per share will be made on 20 May 2020.

12. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparatives information for the immediately preceding year.

Primary reporting format – Geographical segments by location of assets

	<u>Singapore</u> S\$'000	<u>Malaysia</u> S\$'000	<u>Indonesia</u> S\$'000	<u>United Kingdom</u> S\$'000	<u>China</u> S\$'000	<u>Vietnam</u> S\$'000	<u>Others</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
For the financial year ended 31 December 2019									
Sales									
Total sales by segment	54,002	14,622	8,662	14,478	16,111	6,981	14,085	-	128,941
Inter-segment sales	(8,795)	(428)	(162)	(2,352)	(3,328)	(27)	(64)	-	(15,156)
	<u>45,207</u>	<u>14,194</u>	<u>8,500</u>	<u>12,126</u>	<u>12,783</u>	<u>6,954</u>	<u>14,021</u>	<u>-</u>	<u>113,785</u>
Segment result									
Interest income - bank	1,666	1,427	416	157	379	995	(352)	-	4,688
Finance costs								185	185
Share of profit of associated companies								(1,016)	(1,016)
Profit before income tax								1,110	1,110
Income tax expense								279	4,967
								(985)	(985)
Net profit	<u>1,666</u>	<u>1,427</u>	<u>416</u>	<u>157</u>	<u>379</u>	<u>995</u>	<u>(352)</u>	<u>(706)</u>	<u>3,982</u>
Other segment items									
Capital expenditure	361	21	47	2	1	2	26	-	460
Depreciation	560	106	82	14	24	21	58	-	865
	<u>Singapore</u> S\$'000	<u>Malaysia</u> S\$'000	<u>Indonesia</u> S\$'000	<u>United Kingdom</u> S\$'000	<u>China</u> S\$'000	<u>Vietnam</u> S\$'000	<u>Others</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets									
Associated companies	28,033	12,373	6,747	5,681	6,319	4,054	9,363	-	72,570
Deferred tax assets								6,610	6,610
Interest earning cash balances								442	442
								6,543	6,543
Consolidated total assets	<u>28,033</u>	<u>12,373</u>	<u>6,747</u>	<u>5,681</u>	<u>6,319</u>	<u>4,054</u>	<u>9,363</u>	<u>13,595</u>	<u>86,165</u>
Segment liabilities									
Borrowings	(7,999)	(735)	(746)	(2,878)	(977)	(503)	(1,210)	-	(15,048)
Current income tax liabilities								(18,429)	(18,429)
								(242)	(242)
Consolidated total liabilities	<u>(7,999)</u>	<u>(735)</u>	<u>(746)</u>	<u>(2,878)</u>	<u>(977)</u>	<u>(503)</u>	<u>(1,210)</u>	<u>(18,671)</u>	<u>(33,719)</u>

	<u>Singapore</u>	<u>Malaysia</u>	<u>Indonesia</u>	<u>United Kingdom</u>	<u>China</u>	<u>Vietnam</u>	<u>Others</u>	<u>Unallocated</u>	<u>Group</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
For the financial year ended 31 December 2018									
Sales									
Total sales by segment	54,598	14,585	9,922	17,847	14,954	6,223	14,899	-	133,028
Inter-segment sales	(7,834)	(474)	(104)	(3,571)	(3,064)	(24)	(79)	-	(15,150)
	<u>46,764</u>	<u>14,111</u>	<u>9,818</u>	<u>14,276</u>	<u>11,890</u>	<u>6,199</u>	<u>14,820</u>	<u>-</u>	<u>117,878</u>
Segment result									
Interest income - bank	1,822	1,702	704	133	441	922	(486)	-	5,238
Finance costs								123	123
Share of profit of associated companies								(750)	(750)
Profit before income tax								771	771
Income tax expense								144	5,382
Net profit	<u>1,822</u>	<u>1,702</u>	<u>704</u>	<u>133</u>	<u>441</u>	<u>922</u>	<u>(486)</u>	<u>(1,109)</u>	<u>(1,109)</u>
Other segment items									
Capital expenditure	251	184	98	40	56	35	85	-	749
Depreciation	637	103	74	12	18	19	49	-	912

	<u>Singapore</u>	<u>Malaysia</u>	<u>Indonesia</u>	<u>United Kingdom</u>	<u>China</u>	<u>Vietnam</u>	<u>Others</u>	<u>Unallocated</u>	<u>Group</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Segment assets									
Associated companies	28,918	12,728	6,702	4,951	4,351	3,250	9,961	-	70,861
Deferred tax assets								5,761	5,761
Interest earning cash balances								261	261
Consolidated total assets	<u>28,918</u>	<u>12,728</u>	<u>6,702</u>	<u>4,951</u>	<u>4,351</u>	<u>3,250</u>	<u>9,961</u>	<u>4,827</u>	<u>81,710</u>
Segment liabilities									
Borrowings	(5,684)	(630)	(704)	(2,252)	(1,256)	(283)	(1,240)	-	(12,049)
Current income tax liabilities								(19,505)	(19,505)
Consolidated total liabilities	<u>(5,684)</u>	<u>(630)</u>	<u>(704)</u>	<u>(2,252)</u>	<u>(1,256)</u>	<u>(283)</u>	<u>(1,240)</u>	<u>(216)</u>	<u>(216)</u>

12. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparatives information for the immediately preceding year (cont'd).

Secondary reporting format – Business segments

	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
For the financial year ended				
31 December 2019				
Sales				
Total sales by segment	124,736	4,205	-	128,941
Inter-segment sales	(14,698)	(458)	-	(15,156)
	<u>110,038</u>	<u>3,747</u>	<u>-</u>	<u>113,785</u>
Segment result				
	4,140	548	-	4,688
Interest income - bank			185	185
Finance costs			(1,016)	(1,016)
Share of profit of associated companies			<u>1,110</u>	<u>1,110</u>
Profit before income tax			279	4,967
Income tax expense			(985)	(985)
Net profit	<u>4,140</u>	<u>548</u>	<u>(706)</u>	<u>3,982</u>
Other segment items				
Capital expenditure	304	156	-	460
Depreciation	<u>618</u>	<u>247</u>	<u>-</u>	<u>865</u>
	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets				
	65,271	7,299	-	72,570
Associated companies			6,610	6,610
Deferred tax assets			442	442
Interest earning cash balances			<u>6,543</u>	<u>6,543</u>
Consolidated total assets	<u>65,271</u>	<u>7,299</u>	<u>13,595</u>	<u>86,165</u>
Segment liabilities				
	(12,920)	(2,128)	-	(15,048)
Borrowings			(18,429)	(18,429)
Current income tax liabilities			<u>(242)</u>	<u>(242)</u>
Consolidated total liabilities	<u>(12,920)</u>	<u>(2,128)</u>	<u>(18,671)</u>	<u>(33,719)</u>

**For the financial year ended
31 December 2018**

Sales

	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Total sales by segment	128,855	4,173	-	133,028
Inter-segment sales	(14,702)	(448)	-	(15,150)
	<u>114,153</u>	<u>3,725</u>	<u>-</u>	<u>117,878</u>

Segment result

	4,656	582	-	5,238
Interest income - bank			123	123
Finance costs			(750)	(750)
Share of profit of associated companies			<u>771</u>	<u>771</u>
Profit before income tax			144	5,382
Income tax expense			<u>(1,109)</u>	<u>(1,109)</u>
Net profit	<u>4,656</u>	<u>582</u>	<u>(965)</u>	<u>4,273</u>

Other segment items

Capital expenditure	714	35	-	749
Depreciation	<u>635</u>	<u>277</u>	<u>-</u>	<u>912</u>

	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets	64,650	6,211	-	70,861
Associated companies			5,761	5,761
Deferred tax assets			261	261
Interest earning cash balances			<u>4,827</u>	<u>4,827</u>
Consolidated total assets	<u>64,650</u>	<u>6,211</u>	<u>10,849</u>	<u>81,710</u>
Segment liabilities	(11,323)	(726)	-	(12,049)
Borrowings			(19,505)	(19,505)
Current income tax liabilities			<u>(216)</u>	<u>(216)</u>
Consolidated total liabilities	<u>(11,323)</u>	<u>(726)</u>	<u>(19,721)</u>	<u>(31,770)</u>

13. In view of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to section 8(a) Profitability Analysis.

14. A breakdown of sales

	Full year ended 31 December 2019 S\$'000	Full year ended 31 December 2018 S\$'000	Variance Increase/ (decrease) S\$'000 %	
<u>Sales</u>				
(a) Sales for the first half ("H1")	55,778	59,026	(3,248)	(5.5%)
(b) Sales for the second half ("H2")	58,007	58,852	(845)	(1.4%)
<i>Increase/(decrease) H2 from H1</i>	2,229	(174)		
<i>Increase/(decrease) H2 from H1 (in %)</i>	4.0%	(0.3%)		
<u>Operating profit after tax</u>				
(c) Operating profit after tax and before attributing to non-controlling interests for H1	2,016	2,398	(382)	(16.0%)
(d) Operating profit after tax and before attributing to non-controlling interests for H2	1,966	1,875	91	4.9%
<i>Decrease H2 from H1</i>	(50)	(523)		
<i>Decrease H2 from H1 (in %)</i>	(2.4%)	(21.8%)		

15. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and previous full year.

	Full year ended 31 December 2019 S\$	Full year ended 31 December 2018 S\$
Total annual dividend paid		
Ordinary	1,732,900	1,866,200

16. Related Parties and Interested Person Transactions

Name of interested person	Aggregate value of all interested person transactions during the financial year ended 31 December 2019 under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the financial year ended 31 December 2019 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Transportation services rendered by Ipem Automation Sdn. Bhd, a company owned by associates of Mr Chew Choon Tee, a director of Megachem Group	Nil (Note 1)	Nil (Note 1)
Sales of products to Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	Nil (Note 2)	Nil (Note 2)
Purchase of products from Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	Nil (Note 3)	(Note 3)

Name of interested person	Aggregate value of all interested person transactions during the financial year ended 31 December 2017 under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the financial year ended 31 December 2017 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Purchase of products from SPCI Pte Ltd, a company of which Dr Tay Kin Bee is also a director	(Note 4)	Nil (Note 4)

Note 1 : The Group did not engage the services of Ipem Automation Sdn. Bhd during the financial year ended 31 December 2019. There was no prior shareholders' mandate obtained for these interested person transactions.

Note 2 : The Group had no sales to Chori Co., Ltd and its related corporations. Shareholders' mandate was obtained for these interested person transactions.

Note 3 : The Group entered into purchase transactions amounting to S\$55,282 and each transaction was below S\$100,000 which fell outside the scope of Rule 920. Shareholders' mandate was obtained for these interested person transactions.

Note 4 : The Group entered into purchase transactions amounting to S\$79,443 and each transaction was below S\$100,000 which fell outside the scope of Rule 920. There was no prior shareholders' mandate obtained for these interested person transactions.

17. 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 pursuant to Rule 704(10).

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Liau Bin Bin	52	Spouse of Mr Chew Choon Tee, the Executive Chairman and Managing Director and substantial shareholder of the Company	Managing Director of CN Chemicals Sdn Bhd, a wholly-owned subsidiary of Megachem Limited, since 1 January 2009.	Nil

The following directors and substantial shareholders have confirmed that as at 31 December 2019, they do not have any relatives who are holding a managerial position in the Company or any of its principal subsidiaries:-

Tan Bock Chia	Director and substantial shareholder
Chan Kam Loon	Director
Lee Bon Leong	Director
Tay Kin Bee	Director
Tatsuyuki Sakoda	Director

18. Undertaking from directors and executive officers in pursuant to Rule 720(1).

The Company had procured signed undertakings from all its Directors and executive officers based on the latest revised form set out in Appendix 7H of the Catalist Rules.

On behalf of the Board of Directors

Chew Choon Tee
Executive Chairman

Tan Bock Chia
Executive Director

20 February 2020