



Multi-Chem Limited

(Incorporated in Singapore. Registration Number: 198500318Z)

Full Year Financial Statements and Dividend Announcement

For the financial year ended 31 December 2020

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For the financial year ended 31 December 2020

CONSOLIDATED INCOME STATEMENT

Group	6 months ended			12 months ended		
	31-12-2020	31-12-2019	Change	31-12-2020	31-12-2019	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	253,667	256,858	(1)	479,714	455,795	5
Cost of sales	(215,417)	(221,377)	(3)	(408,072)	(389,888)	5
Gross profit	38,250	35,481	8	71,642	65,907	9
Other items of income						
- Interest income	515	349	48	884	613	44
- Other income	3,799	(138)	(2,853)	6,269	2,844	120
Other items of expense						
- Selling and distribution costs	(13,990)	(13,993)	-	(27,908)	(28,088)	(1)
- Administrative and other expenses	(11,444)	(10,816)	6	(22,703)	(23,397)	(3)
- Loss allowance on third party trade receivables	(2,051)	(2,821)	(27)	(1,972)	(2,396)	(18)
- Finance costs	(199)	(532)	(63)	(388)	(923)	(58)
Profit before income tax	14,880	7,530	98	25,824	14,560	77
Income tax expense	(3,674)	(2,606)	41	(6,256)	(4,808)	30
Profit for the financial period/year	11,206	4,924	128	19,568	9,752	101
Profit attributable to:						
Owners of the parent	10,456	3,852	171	17,776	7,836	127
Non-controlling interests	750	1,072	(30)	1,792	1,916	(6)
	11,206	4,924	128	19,568	9,752	101
Earnings per share for profit attributable to owners of the parent during the financial period/year						
(expressed in cents per share)						
Basic	11.61 cents	4.28 cents		19.73 cents	8.70 cents	
Diluted	11.61 cents	4.28 cents		19.73 cents	8.70 cents	

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group	6 months ended			12 months ended		
	31-12-2020	31-12-2019	Change	31-12-2020	31-12-2019	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Profit for the financial period/year	11,206	4,924	128	19,568	9,752	101
Other comprehensive income for the financial period/year						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Foreign currency differences						
on translation of foreign operations	(3,688)	(520)	609	(1,224)	(1,101)	11
Fair value change in financial asset, at FVOCI	194	-	100	77	-	100
	(3,494)	(520)	572	(1,147)	(1,101)	4
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Remeasurements of post-employee benefits	(45)	(37)	22	(45)	(37)	22
Other comprehensive income for the financial period/year, net of tax	(3,539)	(557)	535	(1,192)	(1,138)	5
Total comprehensive income for the financial period/year	<u>7,667</u>	<u>4,367</u>	<u>76</u>	<u>18,376</u>	<u>8,614</u>	<u>113</u>
Total comprehensive income attributable to:						
Owners of the parent	7,594	3,370	125	16,857	6,851	146
Non-controlling interests	73	997	(93)	1,519	1,763	(14)
	<u>7,667</u>	<u>4,367</u>	<u>76</u>	<u>18,376</u>	<u>8,614</u>	<u>113</u>

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NOTES TO CONSOLIDATED INCOME STATEMENT

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

Group	6 months ended			12 months ended		
	31-12-2020	31-12-2019	Change	31-12-2020	31-12-2019	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Other gains	1,819	291	525	4,021	1,091	269
Interest income	515	349	48	884	613	44
Interest expense	(199)	(532)	(63)	(388)	(923)	(58)
Amortisation of club memberships	(5)	(7)	(29)	(10)	(19)	(47)
Depreciation of property, plant and equipment	(681)	(646)	5	(1,424)	(1,621)	(12)
Depreciation of right-of-use assets	(675)	(645)	5	(1,342)	(1,137)	18
Loss allowance on third party trade receivables	(2,051)	(2,821)	(27)	(1,972)	(2,396)	(18)
Third party trade receivables written off	(183)	(23)	696	(196)	(29)	576
Allowance made for inventory obsolescence	(2,079)	(1,531)	36	(3,441)	(2,187)	57
Inventories written off	(23)	(23)	-	(75)	(51)	47
Foreign exchange gain/(loss), net	1,898	(490)	487	2,047	80	2,459
Loss on disposal of club membership	-	(56)	(100)	-	(56)	(100)
Gain/(loss) on disposal of plant and equipment	7	(17)	141	65	1,077	(94)
Plant and equipment written off	-	(6)	(100)	-	(17)	(100)
Reversal of impairment loss of plant and equipment	-	-	-	-	460	(100)
Fair value change in financial asset, at FVPL	75	76	(1)	136	134	1
Fair value change in derivative financial instruments	25	2	1,150	(7)	2	(450)

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STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	9,922	10,169	1,058	1,443
Investment properties	-	-	2,413	2,469
Investments in subsidiaries	-	-	481	9,892
Club memberships	735	568	374	374
Right-of-use assets	2,626	3,424	117	163
Deferred tax assets	3,784	3,223	-	-
Financial asset, at FVOCI	552	-	-	-
Financial asset, at FVPL	4,384	4,333	4,384	4,333
Trade receivables	3,951	3,941	-	-
Prepayment	300	384	300	384
	26,254	26,042	9,127	19,058
Current assets				
Inventories	43,309	39,664	347	341
Trade and other receivables	122,827	134,564	31,437	31,721
Prepayments	1,184	1,549	120	119
Current income tax recoverable	2,184	4,539	-	-
Fixed deposits	47,809	25,005	9,985	8,987
Cash and bank balances	29,841	34,569	527	275
	247,154	239,890	42,416	41,443
Less:				
Current liabilities				
Trade and other payables	117,277	103,684	4,075	2,686
Contract liabilities	13,361	14,299	-	-
Lease liabilities	930	1,145	39	38
Bank borrowings	4,763	22,895	3,682	8,627
Current income tax payable	4,224	2,621	-	-
	140,555	144,644	7,796	11,351
Net current assets	106,599	95,246	34,620	30,092
Less:				
Non-current liabilities				
Contract liabilities	2,745	2,903	-	-
Lease liabilities	1,911	2,365	68	107
Bank borrowings	-	410	-	410
Provision for post-employee benefits	649	479	-	-
Deferred tax liabilities	717	673	2	2
	6,022	6,830	70	519
	126,831	114,458	43,677	48,631
Equity				
Share capital	37,288	37,288	37,288	37,288
Foreign currency translation account	(2,364)	(1,413)	-	-
Other reserves	473	2,531	-	-
Retained earnings	79,129	65,209	6,389	11,343
Equity attributable to owners of the parent	114,526	103,615	43,677	48,631
Non-controlling interests	12,305	10,843	-	-
Total equity	126,831	114,458	43,677	48,631

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CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended		12 months ended	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES				
Profit before income tax	14,880	7,530	25,824	14,560
Adjustments for:				
- Loss allowance on third party trade receivables	2,051	2,821	1,972	2,396
- Allowance made for inventory obsolescence	2,079	1,531	3,441	2,187
- Third party trade receivables written off	183	23	196	29
- Fair value change in financial asset, at FVPL	(75)	(76)	(136)	(134)
- Fair value change in derivative financial instruments	(25)	(2)	7	(2)
- Depreciation of property, plant and equipment	681	646	1,424	1,621
- Gain on disposal of plant and equipment	(7)	17	(65)	(1,077)
- Reversal of impairment loss of plant and equipment	-	-	-	(460)
- Amortisation of club memberships	5	7	10	19
- Loss on disposal of club membership	-	56	-	56
- Depreciation of right-of-use assets	675	645	1,342	1,137
- Gain on lease modifications	(3)	-	(3)	-
- Interest expense	199	532	388	923
- Interest income	(515)	(349)	(884)	(613)
- Inventories written off	23	23	75	51
- Plant and equipment written off	-	6	-	17
- Unrealised foreign exchange (gain)/loss	(23)	89	(748)	(247)
Operating cash flows before working capital changes	20,128	13,499	32,843	20,463
Working capital changes:				
- Inventories	(9,785)	820	(7,755)	(11,191)
- Trade and other receivables	(18,660)	(44,901)	8,512	(22,954)
- Prepayments	(173)	(477)	437	(20)
- Trade and other payables, and contract liabilities	19,996	20,653	14,970	22,482
- Provision for post-employee benefits	135	74	135	74
Cash generated from/(used in) operations	11,641	(10,332)	49,142	8,854
Interest received	461	242	830	506
Income tax paid	(1,238)	(3,073)	(2,831)	(6,158)
Net cash generated from/(used in) operating activities	10,864	(13,163)	47,141	3,202

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CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	6 months ended		12 months ended	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
	\$'000	\$'000	\$'000	\$'000
INVESTING ACTIVITIES				
Derivative financial instruments	(7)	-	(7)	-
Proceeds from disposal of plant and equipment	8	924	154	3,245
Proceeds from disposal of club membership	-	38	-	38
Purchase of plant and equipment	(396)	(546)	(1,103)	(1,205)
Purchase of club membership	-	(188)	(190)	(188)
Purchase of financial assets, at FVOCI	-	-	(442)	-
Net cash (used in)/generated from investing activities	(395)	228	(1,588)	1,890
FINANCING ACTIVITIES				
Fixed deposits pledged	(3,536)	(2,167)	(704)	(2,693)
Proceeds from bank borrowings	21,159	44,117	27,901	57,139
Repayments of bank borrowings	(22,779)	(26,149)	(46,801)	(54,063)
Repayments of lease liabilities	(609)	(529)	(1,181)	(939)
Interest paid	(199)	(532)	(388)	(923)
Dividends paid to owners of the parent	(5,946)	-	(5,946)	(2,973)
Dividends paid to non-controlling shareholders	(57)	-	(57)	(57)
Net cash (used in)/generated from financing activities	(11,967)	14,740	(27,176)	(4,509)
Net change in cash and cash equivalents	(1,498)	1,805	18,377	583
Cash and cash equivalents at beginning of financial period/year	71,336	48,820	50,532	50,400
Effects of exchange rate changes on cash and cash equivalents	(2,228)	(93)	(1,299)	(451)
Cash and cash equivalents at end of financial period/year (Note 1)	67,610	50,532	67,610	50,532

Note 1

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

Cash and cash equivalents as per Statement of Financial Position	77,650	59,574	77,650	59,574
Less: Fixed deposits pledged with banks	(10,040)	(9,042)	(10,040)	(9,042)
	<u>67,610</u>	<u>50,532</u>	<u>67,610</u>	<u>50,532</u>

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STATEMENTS OF CHANGES IN EQUITY

Group	Share capital	Foreign currency translation account	Premium on acquisition of non-controlling interests	Fair value reserve	Statutory reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2020	37,288	(1,413)	(123)	-	2,654	65,209	103,615	10,843	114,458
Profit for the financial year	-	-	-	-	-	17,776	17,776	1,792	19,568
Other comprehensive income for the financial year									
Foreign currency differences on translation of foreign operations	-	(951)	-	-	-	-	(951)	(273)	(1,224)
Fair value change in financial asset, at FVOCI	-	-	-	77	-	-	77	-	77
Remeasurements of post-employee benefits	-	-	-	-	-	(45)	(45)	-	(45)
Total comprehensive income for the financial year	-	(951)	-	77	-	17,731	16,857	1,519	18,376
Distributions to the owners of the parent									
Dividends	-	-	-	-	-	(5,946)	(5,946)	-	(5,946)
Transfer from statutory reserve	-	-	-	-	(2,135)	2,135	-	-	-
Total transactions with the owners of the parent	-	-	-	-	(2,135)	(3,811)	(5,946)	-	(5,946)
Transactions with non-controlling shareholders									
Dividends paid by a subsidiary	-	-	-	-	-	-	-	(57)	(57)
Total transactions with non-controlling shareholders	-	-	-	-	-	-	-	(57)	(57)
Balance at 31 December 2020	37,288	(2,364)	(123)	77	519	79,129	114,526	12,305	126,831
Balance at 1 January 2019	37,288	(465)	(123)	-	3,622	59,415	99,737	9,137	108,874
Profit for the financial year	-	-	-	-	-	7,836	7,836	1,916	9,752
Other comprehensive income for the financial year									
Foreign currency differences on translation of foreign operations	-	(948)	-	-	-	-	(948)	(153)	(1,101)
Remeasurement of post-employee benefits	-	-	-	-	-	(37)	(37)	-	(37)
Total comprehensive income for the financial year	-	(948)	-	-	-	7,799	6,851	1,763	8,614
Distributions to the owners of the parent									
Dividends	-	-	-	-	-	(2,973)	(2,973)	-	(2,973)
Transfer from statutory reserve	-	-	-	-	(968)	968	-	-	-
Total transactions with the owners of the parent	-	-	-	-	(968)	(2,005)	(2,973)	-	(2,973)
Transactions with non-controlling shareholders									
Dividends paid by a subsidiary	-	-	-	-	-	-	-	(57)	(57)
Total transactions with non-controlling shareholders	-	-	-	-	-	-	-	(57)	(57)
Balance at 31 December 2019	37,288	(1,413)	(123)	-	2,654	65,209	103,615	10,843	114,458

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STATEMENTS OF CHANGES IN EQUITY (Continued)

Company	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2020	37,288	11,343	48,631
Profit for the financial year	-	992	992
Total comprehensive income for the financial year	-	992	992
Transaction with the owners			
Dividends paid	-	(5,946)	(5,946)
Total transactions with the owners	-	(5,946)	(5,946)
Balance at 31 December 2020	37,288	6,389	43,677
Balance at 1 January 2019	37,288	20,935	58,223
Loss for the financial year	-	(6,619)	(6,619)
Total comprehensive income for the financial year	-	(6,619)	(6,619)
Transaction with the owners			
Dividends paid	-	(2,973)	(2,973)
Total transactions with the owners	-	(2,973)	(2,973)
Balance at 31 December 2019	37,288	11,343	48,631

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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 \$253.7m for the six months ended 31 December 2020 ("2H2020"), a decrease of 1.2% or \$3.2m compared to the revenue of \$256.9m for the six months ended 31 December 2019 ("2H2019"). For the twelve months ended 31 December 2020 ("12M2020"), the Group achieved revenue of \$479.7m, a year-on-year increase of 5.2% or \$23.9m, compared to revenue of \$455.8m achieved for the twelve months ended 31 December 2019 ("12M2019").

Comparing 2H2020 to 1H2020, revenue increased by 12.3% or \$27.7m, from \$226.0m in 1H2020 to \$253.7m in 2H2020.

IT Division

The IT Distribution business achieved revenue of \$252.6m in 2H2020, a decrease of 1.3% or \$3.3m, from \$255.9m in 2H2019. On a twelve months basis, this division grew by 5.3% or \$24.1m, from \$453.4m in 12M2019 to \$477.5m in 12M2020.

Comparing 2H2020 to 1H2020, revenue in IT business increased by 12.3% or \$27.7m, from \$224.9m in 1H2020 to \$252.6m in 2H2020.

The increase in revenue for 12M2020 was mainly due to the increase in customer demands arising from the increased reliance on digital technologies during COVID-19 pandemic.

PCB Division

Revenue in this Division increased marginally by \$84,000, from \$1.0m in 2H2019 to \$1.1m in 2H2020. On a twelve months basis, revenue in this division decreased by 8.0% or \$193,000, from \$2.4m in 12M2019 to \$2.2m in 12M2020. The decrease in revenue was mainly due to lower customer demands and reduction of manufacturing capacity of the Group resulting from disposal of the remaining 2 laser machines in Singapore during 12M2020.

Comparing 2H2020 to 1H2020, revenue in this Division remained at \$1.1m.

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PROFIT BEFORE TAX (“PBT”)

The Group registered a PBT of \$14.9m in 2H2020, as compared to \$7.5m in 2H2019.

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

- (1) An increase in gross profit of \$2.8m. The increase in gross profit was mainly due to the better gross profit margin in 2H2020 as compared to 2H2019;
- (2) An increase in other gains of \$1.5m from \$291,000 in 2H2019 to \$1.8m in 2H2020, mainly due to \$1.0m government grant received for the COVID-19 pandemic during 2H2020;
- (3) Net foreign exchange gain of \$1.9m in 2H2020 as compared to net foreign exchange loss of \$490,000 in 2H2019, mainly due to the depreciation of United States dollar against most of the local currencies and appreciation of Renminbi against Singapore dollar in 2H2020. Excluding net foreign exchange difference, the Group reported a PBT of \$13.0m in 2H2020, compared to a PBT of \$8.0m in 2H2019;
- (4) A decrease in loss allowance on third party receivables of \$770,000 from \$2.8m in 2H2019 to \$2.0m in 2H2020 based on the impairment review performed as at 31 December 2020 in accordance to SFRS(I) 9;
- (5) A decrease in finance costs of \$333,000 from \$532,000 in 2H2019 to \$199,000 in 2H2020, mainly due to lower bank borrowings drawdown in 2H2020; and
- (6) An increase in interest income of \$166,000 from \$349,000 in 2H2019 to \$515,000 in 2H2020, mainly due to interest on fixed deposits and tax refunds received in 2H2020.

The increase in PBT was however ameliorated by the following:

- (1) An increase in allowance for inventory obsolescence of \$548,000 from \$1.5m in 2H2019 to \$2.1m in 2H2020, based on the review of inventory obsolescence performed as at 31 December 2020; and
- (2) An increase in third party trade receivables written off of \$160,000 from \$23,000 in 2H2019 to \$183,000 in 2H2020.

Comparing 2H2020 to 1H2020, the Group PBT stood at \$14.9m in 2H2020 as compared to \$10.9m in 1H2020. The increase was mainly due to higher gross profit in 2H2020 as a result of higher revenue and margins and higher net foreign exchange gain in 2H2020, offset by loss allowance on third party trade receivables in 2H2020 as compared to reversal of allowance on third party trade receivables in 1H2020.

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PROFIT AFTER TAX (“PAT”)

In 2H2020, the Group achieved PAT of \$11.2m as compared to \$4.9m in 2H2019, mainly due to the increase in PBT, offset by the increase in tax expenses. The increase in tax expenses from \$2.6m in 2H2019 to \$3.7m in 2H2020 was mainly due to higher profit attained in 2H2020.

Comparing 2H2020 to 1H2020, Group PAT increased by 33.3% or \$2.8m, from a profit after tax of \$8.4m in 1H2020 to a profit of \$11.2m in 2H2020 and this is in line with the increase in PBT.

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

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STATEMENTS OF FINANCIAL POSITION REVIEW

Presented below is a review of material changes in the key statements of financial position items as at 31 December 2020 compared to 31 December 2019.

Property, plant and equipment decreased by \$247,000 and \$385,000 at the Group and the Company level respectively mainly due to depreciation charge and disposal of plant and equipment, net of purchases of plant and equipment in Year 2020.

Investment in subsidiaries decreased by \$9.4m at the Company level due to capital return from one subsidiary liquidated in Year 2020.

Club memberships at the Group level increased by \$167,000 from \$568,000 to \$735,000 mainly due to purchase of club membership, net of amortisation charge in Year 2020. Club membership at Company level remained unchanged.

Right-of-use assets decreased by \$798,000 at the Group level mainly due to depreciation charge, net of new long-term leases capitalized in Year 2020. At the Company level, right-of-use assets decreased by \$46,000 due to depreciation charge in Year 2020.

Financial asset, at FVOCI refers to financial asset at fair value through other comprehensive income. The Group has elected to classify equity investments, which are not accounted for as subsidiary, associate or jointly controlled entity, as financial asset at fair value through other comprehensive income. This increased by \$552,000 at the Group level due to new investment in listed equity instrument, and fair value change in Year 2020. There was no financial asset, at FVOCI at the Company level.

Cash and cash equivalents at the Group level increased by \$18.1m from \$59.6m to \$77.7m. The increase was mainly due to collection from trade and other receivables and proceeds from bank borrowings, net of repayment of bank borrowings. At the Company level, cash and cash equivalents increased by \$1.2m from \$9.3m to \$10.5m mainly due to repayment from a subsidiary, capital return received from a subsidiary, net of repayment of bank borrowings and dividends paid to shareholders.

Trade and other receivables of the Group decreased by \$11.7m from \$138.5m to \$126.8m, mainly due to collection received from customers in Year 2020. At the Company level, trade and other receivables decreased by \$284,000 from \$31.7m to \$31.4m, mainly due to repayment from a subsidiary.

Inventories at the Group level increased by \$3.6m from \$39.7m to \$43.3m mainly due to the increase in IT inventories to cater for contracts not yet fulfilled. Inventories at the Company level remain relatively unchanged.

Prepayments decreased by \$449,000 and \$83,000 at the Group and the Company level respectively mainly due to realisation of expenses in Year 2020.

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STATEMENTS OF FINANCIAL POSITION REVIEW (Continued)

Current income tax recoverable decreased by \$2.3m from \$4.5m to \$2.2m at the Group level mainly due to tax refund received in Year 2020. There was no current income tax recoverable at the Company level.

Trade and other payables increased by \$13.6m from \$103.7m to \$117.3m at the Group level mainly due to increased purchases corresponding with the increase in revenue in Year 2020. At the Company level, trade and other payables increased by \$1.4m from \$2.7m to \$4.1m mainly due to the increase in accrued operating expenses in Year 2020.

Contract liabilities decreased by \$1.1m from \$17.2m to \$16.1m at the Group level mainly due to decrease in advance billings to customers. There was no contract liability at the Company level.

Current income tax payable increased by \$1.6m from \$2.6m to \$4.2m at the Group level mainly due to higher taxable profits. There was no current income tax payable at the Company level.

Bank borrowings decreased at both Group and Company level mainly due to repayments made to the financial institutions.

Lease liabilities decreased by \$669,000 and \$38,000 at the Group and the Company level respectively mainly due to repayments made in Year 2020.

Foreign currency translation account increased by \$1.0m from \$1.4m to \$2.4m at the Group level mainly due to depreciation of United States dollar against Singapore dollar.

Other reserves decreased by \$2.1m from \$2.5m to \$473,000 mainly due to the decrease in statutory reserve as a result of liquidation of a subsidiary.

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CASH FLOW ANALYSIS

Net cash of \$47.1m was generated from operating activities in 12M2020, as compared to net cash of \$3.2m generated in 12M2019. This was mainly due to higher profit before income tax and increase in collection from customers.

Net cash of \$1.6m was used in investing activities in 12M2020, as compared to net cash of \$1.9m generated in 12M2019. The change was mainly due to purchase of plant and equipment of \$1.1m and purchase of financial assets, at FVOCI of \$442,000, net of proceeds from disposal of plant and equipment of \$154,000 in 12M2020, as compared to proceeds from disposal of property, plant and equipment of \$3.2m, net of purchase of plant and equipment of \$1.2m in 12M2019.

Net cash of \$27.2m was used in financing activities in 12M2020, as compared to net cash of \$4.5m used in financing activities in 12M2019. This was mainly due to repayment of bank borrowings of \$46.8m, payment of dividend of \$5.9m, fixed deposits pledged of \$704,000 and repayment of lease liabilities of \$1.2m, net of proceeds from bank borrowings of \$27.9m in 12M2020, as compared to repayment of bank borrowings of \$54.1m, payment of dividend of \$3.0m, fixed deposits pledged of \$2.7m and repayment of lease liabilities of \$939,000, net of proceeds from bank borrowings of \$57.1m in 12M2019.

Cash and cash equivalents stood at \$67.6m as at end of 31 December 2020, up from \$50.5m as at end of 31 December 2019.

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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 experienced a year-on-year revenue drop of 1.3% in 2H2020. The decrease was mainly due to a few big transactions closed in 2H2019. On full year basis, revenue in IT business increased by 5.3%, mainly due to the increase in customer demands arising from the increased reliance on digital technologies during COVID-19 pandemic. The Group is monitoring the impact of COVID-19 and will continue to be vigilant during this challenging time.

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 Check Point, CyberArk, Imperva, McAfee, Proofpoint, Riverbed, RSA, Solarwinds, Symantec (a division of Broadcom) and Trend Micro.

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, Check Point and Symantec (a division of Broadcom) courses. This business is complementary to the core IT distribution business and is expected to bring about more awareness and technical knowledge through the courses conducted.

As at 31 December 2020, the Group's IT business had a presence in 29 cities in 15 countries in the Asia Pacific region and Europe. M.Tech offices in countries that are already mature in operations are expected to contribute more to the Group's performance.

The near term outlook in the IT business is dependent on events such as political or economic in nature and such events could affect business in certain markets. With the current global COVID-19 pandemic, the global economic outlook remains uncertain which in turn will affect the Group's business. 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's 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

Revenue in PCB division remained relatively unchanged over the corresponding periods in year 2019. With the reduction in the number of drilling machines, the revenue growth in PCB division is expected to reduce in Year 2021.

As at 31 December 2020, the Group had 7 mechanical drilling machines in Singapore.

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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. To mitigate such risk, the Group has taken steps to align with the leading names in the IT arena. The Group monitors its inventories on a quarterly basis and will make allowances where necessary.

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

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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 12M2020 were largely in line with the prospect commentary disclosed to the shareholders on 14 February 2020.

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NOTES TO THE FINANCIAL STATEMENTS

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

Amount repayable in one year or less, or on demand

As at 31 Dec 2020		As at 31 Dec 2019	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
3,682	1,081	8,627	14,268

Amount repayable after one year

As at 31 Dec 2020		As at 31 Dec 2019	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	-	410	-

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 2020 and 31 Dec 2020	90,095	37,288	37,288
Balance at 1 Jan 2019 and 31 Dec 2019	90,095	37,288	37,288

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited annual financial statements for the financial year ended 31 December 2019. In addition, the Group also adopted various revisions to Singapore Financial Reporting Standards (International) ("SFRS(I)"), which became effective during the period. The said adoption has no significant impact to the financial statements of the Group.

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NOTES TO THE FINANCIAL STATEMENTS

- 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.**

The Group has early adopted the Amendment to FRS 116 *Covid-19-Related Concessions* for the financial period beginning 1 January 2020.

As a practical expedient, the Group has elected not to assess whether a rent concession that meets the conditions below is a lease modification:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extended beyond 30 June 2021); and
- there is no substantive change to other terms and conditions of the lease.

The Group has accounted for the change in lease payments resulting from the rent concession in the same way it would account for the change applying FRS 116 if the change were not a lease modification.

- 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

- 7A. 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.

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.

Group Earnings per share attributable to owners of the parent during the financial period/year (expressed in cents per share)	6 months ended		12 months ended	
	31-Dec-2020	31-Dec-2019	31-Dec-2020	31-Dec-2019
(i) Based on weighted average number of shares	11.61 cents	4.28 cents	19.73 cents	8.70 cents
- Weighted average number of shares ('000)	90,095	90,095	90,095	90,095
(ii) On fully diluted basis	11.61 cents	4.28 cents	19.73 cents	8.70 cents
- Adjusted weighted average number of shares ('000)	90,095	90,095	90,095	90,095

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

	Group		Company	
	31-Dec-2020	31-Dec-2019	31-Dec-2020	31-Dec-2019
Net asset value per share based on existing issued share capital as at the respective period	127.12 cents	115.01 cents	48.48 cents	53.98 cents

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

10. DIVIDEND

- (a) **Current Financial Year Reported On**

Name of Dividend	Proposed 2020		2020 Total
	Final Tax Exempt – 1-Tier		
Dividend Type	Cash		Cash
Dividend Amount (Cents Per Share)	6.60		6.60

- (b) **Corresponding Year of the Immediately Preceding Financial Year**

Name of Dividend	2019 Final Tax Exempt – 1-Tier	2019 Special Tax Exempt – 1-Tier	2019 Total
Dividend Type	Cash	Cash	Cash
Dividend Amount (Cents Per Share)	4.40	2.20	6.60

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NOTES TO THE FINANCIAL STATEMENTS

10. DIVIDEND (Continued)

(c) Record date and dividend payment date

The proposed final tax exempt (one-Tier) dividend of 6.60 cents per ordinary share, if approved by shareholders at the forthcoming Annual General Meeting to be convened, will be paid on 11 June 2021.

The record date of the proposed final dividend will be on 2 June 2021.

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

There is no general mandate from shareholders for IPTs obtained.

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

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

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13. ADDITIONAL INFORMATION (Continued)

i) **SEGMENT INFORMATION** (Continued)

	Singapore		Greater China		Australia	Others		
	PCB		PCB					
	IT business	business	IT business	business	IT business	IT business	Unallocated	Total
2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital expenditure								
Property, plant and equipment	740	4	153	-	5	201	-	1,103
Assets and liabilities								
Segment assets	137,103	20,347	28,863	2,287	12,783	66,057	5,968	273,408
Segment liabilities	74,100	7,864	12,898	8	7,961	38,805	4,941	146,577

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13. ADDITIONAL INFORMATION (Continued)

i) SEGMENT INFORMATION (Continued)

	Singapore		Greater China		Australia	Others	Elimination and adjustments	Total
	IT business	PCB business	IT business	PCB business	IT business	IT business		
12 months ended	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
31 December 2019								
Revenue								
- External sales	214,783	2,278	50,868	84	56,663	131,119	-	455,795
- Inter-segment sales	8	-	-	-	-	-	(8)	-
Total revenue	214,791	2,278	50,868	84	56,663	131,119	(8)	455,795
					IT business	PCB business	Elimination and adjustments	Total
					\$'000	\$'000	\$'000	\$'000
Segment results								
Interest income					190	423	-	613
Interest expense					(922)	(1)	-	(923)
Depreciation of property, plant and equipment					(933)	(688)	-	(1,621)
<i>Other non-cash items:</i>								
- Gain on disposal of plant and equipment					10	1,067	-	1,077
- Reversal of impairment loss of plant and equipment					-	460	-	460
- Amortisation of club membership					(10)	(9)	-	(19)
- Loss on disposal of club membership					-	(56)	-	(56)
- Depreciation of right-of-use assets					(1,122)	(15)	-	(1,137)
- Third party trade receivables written off					(29)	-	-	(29)
- Inventories written off					(51)	-	-	(51)
- Plant and equipment written off					(2)	(15)	-	(17)
- Unrealised foreign exchange gain/(loss)					286	(39)	-	247
- Allowance made for inventory obsolescence					(2,166)	(21)	-	(2,187)
- Loss allowance on third party trade receivables					(2,396)	-	-	(2,396)
- Fair value change in financial asset, at FVPL					-	134	-	134
- Fair value change in derivative financial instruments					2	-	-	2
Segment profit					17,074	(2,514)	-	14,560

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13. ADDITIONAL INFORMATION (Continued)

i) **SEGMENT INFORMATION** (Continued)

	Singapore		Greater China		Australia	Others	Unallocated	Total
	IT business	PCB business	IT business	PCB business	IT business	IT business		
2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital expenditure								
Property, plant and equipment	287	481	16	-	5	416	-	1,205
Assets and liabilities								
Segment assets	125,555	19,509	25,918	10,051	26,020	51,117	7,762	265,932
Segment liabilities	86,626	11,867	12,970	29	13,841	22,847	3,294	151,474

Geographical segments

	Singapore		Greater China		Australia		Others		Total	
	12 months ended		12 months ended		12 months ended		12 months ended		12 months ended	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	177,954	183,761	61,493	51,848	50,275	56,658	189,992	163,528	479,714	455,795
	Singapore		Greater China		Australia		Others		Total	
	as at		as at		as at		as at		as at	
	31-12-20	31-12-19	31-12-20	31-12-19	31-12-20	31-12-19	31-12-20	31-12-19	31-12-20	31-12-19
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets	7,451	7,844	174	25	2,974	2,780	358	472	10,957	11,121

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13. ADDITIONAL INFORMATION (Continued)

ii) **BREAKDOWN OF SALES**

	2020	2019	Increase /
	\$'000	\$'000	(Decrease)
			%
Sales reported for first half year	226,047	198,937	14
Profit after tax before deducting non-controlling interests reported for first half year	8,362	4,828	73
Sales reported for second half year	253,667	256,858	(1)
Profit after tax before deducting non-controlling interests reported for second half year	11,206	4,924	128

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

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

BY ORDER OF THE BOARD

Foo Suan Sai
Chief Executive Officer
8 February 2021