



MEGACHEM LIMITED

Un-audited Financial Statements and Dividend Announcement

For The Half Year Ended
30 June 2015

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UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2015

The directors of Megachem Limited are pleased to advise the following unaudited results of the Group for the half year ended 30 June 2015.

(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial period.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2015

	For the half year	For the half year	Variance	
	ended	ended	Favourable/(Unfavourable)	
	30 June 2015	30 June 2014	S\$'000	%
	S\$	S\$		
Sales	57,570,884	55,630,174	1,941	3.5%
Cost of sales	<u>(44,775,082)</u>	<u>(44,655,509)</u>	(120)	(0.3%)
Gross profit	12,795,802	10,974,665	1,821	16.6%
Other operating income	198,035	132,854	65	49.1%
Distribution costs	(6,823,106)	(5,950,697)	(872)	(14.7%)
Administrative expenses	(2,387,468)	(2,359,282)	(28)	(1.2%)
Other operating expenses	(1,795,583)	(1,454,264)	(341)	(23.5%)
Finance costs	(282,740)	(220,141)	(63)	(28.4%)
Share of profit of associated companies	312,780	466,172	(153)	(32.9%)
Profit before income tax	2,017,720	1,589,307	428	27.0%
Income tax expense	<u>(525,479)</u>	<u>(447,465)</u>	(78)	(17.4%)
Net profit	1,492,241	1,141,842	350	30.7%
Other comprehensive income:				
Exchange differences on translating foreign operations, net of tax	<u>(456,029)</u>	<u>7,344</u>	(463)	NM
Total comprehensive income	1,036,212	1,149,186	(113)	(9.8%)
Net profit attributable to:				
Equity holders of the Company	1,332,781	1,017,579	315	31.0%
Non-controlling interests	<u>159,460</u>	<u>124,263</u>	35	28.3%
Net profit	1,492,241	1,141,842	350	30.7%
Total comprehensive income attributable to:				
Equity holders of the Company	836,688	1,022,966	(186)	(18.2%)
Non-controlling interests	<u>199,524</u>	<u>126,220</u>	73	58.1%
Total comprehensive income	1,036,212	1,149,186	(113)	(9.8%)
Earnings per share of profit attributable to equity holders of the Company during the financial period				
- basic and diluted	<u>1.00 cents</u>	<u>0.76 cents</u>		

NM : not meaningful.

The following items have been included in arriving at profit for the period:

	For the half year ended 30 June 2015 S\$	For the half year ended 30 June 2014 S\$
<u>Other operating income</u>		
Bad debt recovered	50,981	51,212
Change in fair value of financial assets held for trading	75,623	5,000
Dividend income	2,137	-
Grant income	33,445	40,653
Interest income from banks	27,366	25,154
Management fees	-	2,330
Rental income	8,483	8,505
	198,035	132,854
Change in fair value of financial assets held for trading		
- forward foreign exchange contracts	75,623	-
- listed equity security	(15,000)	5,000
Change in fair value of financial liabilities held for trading		
- forward foreign exchange contracts	(60,016)	(25,965)
Depreciation and amortisation	(758,904)	(756,169)
Interest on borrowings	(282,740)	(220,141)
Impairment of trade receivables	(68,004)	(120,113)
Net foreign exchange loss	(388,546)	(72,714)
Write off of inventory	(186,783)	(338,943)
Adjustment for over provision for tax in respect of prior financial years	7,072	546

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	<u>Group</u>		<u>Company</u>	
	30 June 2015 S\$	31 December 2014 S\$	30 June 2015 S\$	31 December 2014 S\$
ASSETS				
Non-current assets				
Property, plant and equipment	13,053,648	13,971,668	1,899,466	2,076,931
Investment property	97,187	104,696	-	-
Investments in subsidiaries	-	-	5,019,751	5,019,751
Investment in associated companies	6,626,443	6,762,102	99,949	99,949
Transferable club memberships	28,841	30,307	4,001	4,001
	19,806,119	20,868,773	7,023,167	7,200,632
Current assets				
Inventories	21,041,989	21,517,159	11,070,571	10,791,527
Trade and other receivables	28,245,441	29,975,725	17,163,076	18,823,863
Financial assets held for trading	160,623	147,040	85,000	100,000
Other current assets	2,686,923	1,825,261	982,220	854,565
Cash and bank balances	9,106,691	8,999,243	1,941,327	2,204,579
	61,241,667	62,464,428	31,242,194	32,774,534
Total assets	81,047,786	83,333,201	38,265,361	39,975,166
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	(3,036,398)	(2,540,305)	-	-
Retained earnings	28,963,273	28,571,092	3,505,691	3,151,657
	41,818,903	41,922,815	19,397,719	19,043,685
Non-controlling interests	2,678,860	2,596,136	-	-
Total equity	44,497,763	44,518,951	19,397,719	19,043,685
Non-current liabilities				
Deferred tax liabilities	50,000	21,059	50,000	20,000
Borrowings	4,187,405	2,850,000	-	-
	4,237,405	2,871,059	50,000	20,000
Current liabilities				
Current income tax liabilities	198,435	337,638	64,071	51,266
Trade and other payables	14,410,983	16,485,621	6,151,812	5,746,052
Borrowings	17,643,184	19,068,847	12,589,706	15,114,163
Financial liabilities held for trading	60,016	51,085	12,053	-
	32,312,618	35,943,191	18,817,642	20,911,481
Total liabilities	36,550,023	38,814,250	18,867,642	20,931,481
Total equity and liabilities	81,047,786	83,333,201	38,265,361	39,975,166

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

Amount repayable in one year or less, or on demand

As at 30 June 2015		As at 31 December 2014	
Secured	Unsecured	Secured	Unsecured
S\$2,607,304	S\$15,035,880	S\$600,000	S\$18,468,847

Amount repayable after one year

As at 30 June 2015		As at 31 December 2014	
Secured	Unsecured	Secured	Unsecured
S\$4,187,405	-	S\$2,850,000	-

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. industrial land of a subsidiary at Seri Alam Industrial Park, Sungai Kapar, Indah, Klang, Selangor, Malaysia

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 30 JUNE 2015

	For the half year ended 30 June 2015 S\$	For the half year ended 30 June 2014 S\$
Cash flows from operating activities		
Net profit	1,492,241	1,141,842
Adjustments for:		
Change in fair value of financial assets held for trading	15,000	(5,000)
Depreciation charge	758,904	756,169
Dividend income	(2,137)	-
Share of profit of associated companies	(312,780)	(466,172)
Income tax expense	525,479	447,465
Interest income	(27,366)	(25,154)
Finance costs	282,740	220,141
Operating cash flow before working capital changes	<u>2,732,081</u>	<u>2,069,291</u>
Change in operating assets and liabilities		
Trade and other receivables	961,866	(2,535,669)
Inventories	475,170	(409,246)
Financial assets held for trading	(28,583)	92,688
Trade and other payables	(1,126,274)	771,878
Financial liabilities held for trading	8,931	(19,791)
Foreign exchange adjustment differences	(130,482)	16,277
Cash from/(used in) operations	<u>2,892,709</u>	<u>(14,572)</u>
Income tax paid	(728,985)	(492,158)
Interest received	27,366	25,154
Net cash from/(used in) operating activities	<u>2,191,090</u>	<u>(481,576)</u>
Cash flows from investing activities		
Dividends received from associated company	395,580	187,529
Purchase of property, plant and equipment	(964,333)	(1,391,624)
Net cash used in investing activities	<u>(568,753)</u>	<u>(1,204,095)</u>
Cash flows from financing activities		
Dividends paid	(933,100)	(933,100)
Dividends paid by subsidiary to non-controlling shareholders	(116,800)	(35,068)
(Repayment of)/proceeds from borrowings	(1,401,503)	4,017,346
Proceeds from/(repayment of) long term bank loan	1,556,206	(300,000)
(Repayment of)/proceeds from short term bank loans	(260,020)	1,492,215
(Repayment)/refunds of prior year unclaimed dividends	(7,500)	310
Interest paid	(294,068)	(197,332)
Net cash (used in)/from financing activities	<u>(1,456,785)</u>	<u>4,044,371</u>
Net increase in cash and cash equivalents held	165,552	2,358,700
Cash and cash equivalents at beginning of the financial period	8,999,243	8,439,428
Effects of exchange rate changes on cash and cash equivalents	(58,104)	11,311
Cash and cash equivalents at end of the financial period	<u>9,106,691</u>	<u>10,809,439</u>

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 period.

STATEMENTS OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2015

	Attributable to equity holders of the Company					
	←	←	←	←	←	←
<u>The Group</u>	Total equity S\$	Parent Sub-total S\$	Share capital S\$	Other reserves S\$	Retained earnings S\$	Non-controlling interests S\$
Balance at 1 January 2015	44,518,951	41,922,815	15,892,028	(2,540,305)	28,571,092	2,596,136
Total comprehensive income for the financial period	1,036,212	836,688	-	(496,093)	1,332,781	199,524
Final dividend relating to 2014 paid	(1,049,900)	(933,100)	-	-	(933,100)	(116,800)
Prior years unclaimed dividends paid	(7,500)	(7,500)	-	-	(7,500)	-
Balance at 30 June 2015	44,497,763	41,818,903	15,892,028	(3,036,398)	28,963,273	2,678,860
Balance at 1 January 2014	42,508,323	40,315,699	15,892,028	(2,694,794)	27,118,465	2,192,624
Total comprehensive income for the financial period	1,149,186	1,022,966	-	5,387	1,017,579	126,220
Final dividend relating to 2013 paid	(968,168)	(933,100)	-	-	(933,100)	(35,068)
Prior years unclaimed dividends refunded	310	310	-	-	310	-
Balance at 30 June 2014	42,689,651	40,405,875	15,892,028	(2,689,407)	27,203,254	2,283,776
	Total equity S\$	Share capital S\$	Retained earnings S\$			
<u>The Company</u>						
Balance at 1 January 2015	19,043,685	15,892,028	3,151,657			
Total comprehensive income for the financial year	1,294,634	-	1,294,634			
Final dividend relating to 2014 paid	(933,100)	-	(933,100)			
Prior years unclaimed dividends paid	(7,500)	-	(7,500)			
Balance at 30 June 2015	19,397,719	15,892,028	3,505,691			
Balance at 1 January 2014	19,615,498	15,892,028	3,723,470			
Total comprehensive income for the financial period	415,361	-	415,361			
Final dividend relating to 2013 paid	(933,100)	-	(933,100)			
Prior years unclaimed dividends refunded	310	-	310			
Balance at 30 June 2014	19,098,069	15,892,028	3,206,041			



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 also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

There have been no changes in the Company's issued share capital since the end of the previous financial year.

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

There were no unissued shares in the capital of the Company reserved for the exercise of any option nor were there any treasury share as at the end of the financial periods ended 30 June 2015 and 30 June 2014.

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 period and year ended 30 June 2015 and 31 December 2014 was 133,300,000.

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

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.

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 period as those of the audited financial statements for the financial year ended 31 December 2014.

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 2015, the Group adopted the new and revised Financial Reporting Standards ("FRS") and Interpretations to FRS ("INT FRS") 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 FRS and INT FRS.

The adoption of the above amendments has no material impact on the Group's financial statements.

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 half year ended 30 June 2015	For the half year ended 30 June 2014
Earnings per ordinary shares (in cents)		
a) Based on weighted average number of ordinary shares on issue	1.00	0.76
b) On a fully diluted basis	1.00	0.76
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>	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Net asset value per ordinary share based on issued share capital (cents)	31.37	31.45	14.55	14.29
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	H1 2015	H2 2014	H1 2014	Variance H1 2015 vs H2 2014		Variance H1 2015 vs H1 2014	
				Fav/(Unfav)	%	Fav/(Unfav)	%
Sales (S\$'mil)	57.6	60.3	55.6	(2.7)	(4.5%)	1.9	3.5%
Gross profit (S\$'mil)	12.8	12.5	11.0	0.3	2.5%	1.8	16.6%
Gross profit margin	22.2%	20.7%	19.7%	1.5% pts	na	2.5% pts	na
Total operating expenses and finance costs (S\$'mil)	11.3	10.7	10.0	(0.6)	(5.6%)	(1.3)	(13.1%)
Other operating income (S\$'000)	198	337	133	(139)	(41.3%)	65	49.1%
Share of profit of associated companies (S\$'000)	313	545	466	(232)	(42.6%)	(153)	(32.9%)
Net profit before tax (S\$'mil)	2.0	2.7	1.6	(0.7)	(24.4%)	0.4	27.0%
Net profit after tax (S\$'mil)	1.5	2.1	1.1	(0.6)	(27.2%)	0.4	30.7%
Net profit after tax margin	2.6%	3.4%	2.1%	(0.8%) pts	na	0.5% pts	na
EBITDA (S\$'mil)	3.0	3.7	2.5	(0.7)	(17.7%)	0.5	19.3%
EBITDA margin	5.3%	6.1%	4.6%	(0.8%) pts	na	0.7% pts	na
Earnings per share attributable to the equity holders of the Company (cents)	1.00	1.32	0.76	(0.32)	(24.2%)	0.24	31.6%
Annualised return on equity (ROE)	6.4%	8.4%	5.0%	(2.0%) pts	na	1.4% pts	na

8(a) PROFITABILITY ANALYSIS

8(a)(i) Sales

	H1 2015	H2 2014	H1 2014	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H1 2015 vs H2 2014	%	H1 2015 vs H1 2014	%
ASEAN	38,843	37,725	39,225	1,118	3.0	(382)	(1.0)
North Asia	6,615	6,818	4,977	(203)	(3.0)	1,638	32.9
Europe	3,438	3,906	2,680	(468)	(12.0)	758	28.3
America	2,856	6,328	3,569	(3,472)	(54.9)	(713)	(20.0)
South Asia	2,363	2,443	1,975	(80)	(3.3)	388	19.6
Middle East	2,194	1,720	1,722	474	27.6	472	27.4
Australia	1,231	1,354	1,479	(123)	(9.1)	(248)	(16.8)
Africa	31	-	3	31	100.0	28	933.3
Total	57,571	60,294	55,630	(2,723)	(4.5)	1,941	3.5

Geographic Segment Sales Analysis

H1 2015 vs H2 2014

Overall sales contracted marginally by S\$2.7 million or 4.5% as compared to the second half of 2014 (“H2 2014”). Sales from our core ASEAN markets went up marginally by S\$1.1 million or 3.0% while sales to Middle East picked up moderately with an increase of S\$0.5 million or 27.6% as a result of greater penetration into this market.

The fall was mainly attributed to the decline in sales of S\$3.5 million or 54.9% from America and S\$0.5 million or 12.0% from the Europe markets following a spike in sales in H2 2014.

H1 2015 vs H1 2014

Most markets registered higher sales in the first half of 2015 (“H1 2015”) as compared to first half of 2014 (“H1 2014”) and growth from North Asia was the biggest at S\$1.6 million or 32.9%. Sales to ASEAN markets dipped marginally while America and Australia markets contracted by S\$0.7 million or 20.0% and S\$0.2 million or 16.8% respectively.

Business Activity Segment Sales Analysis

	H1 2015	H2 2014	H1 2014	Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	H1 2015 vs H2 2014	H1 2015 vs H1 2014	H1 2015 vs H1 2014	%
Distribution activity	55,892	58,533	54,038	(2,641)	(4.5)	1,854	3.4
Manufacturing activity	1,679	1,761	1,592	(82)	(4.6)	87	5.4
Total Sales	57,571	60,294	55,630	(2,723)	(4.5)	1,941	3.5

H1 2015 vs H2 2014

Both the distribution and manufacturing activities contracted marginally in H1 2015 as compared to H2 2014.

H1 2015 vs H1 2014

As compared to H1 2014, the increase in sales was attributed to growth in both distribution and manufacturing activities.

8(a)(ii) Gross profit

H1 2015 vs H2 2014

The larger proportion of sales contributed by ASEAN markets, which also record a better margin, resulted in an improvement in the overall gross profit margin for H1 2015 by 1.5%-point. To a smaller extent, the lower inventory write off in H1 2015 also helped to raise the gross profit margin.

This led to an increase in gross profit of S\$0.3 million or 2.5% despite a slight decrease in sales in H1 2015.

H1 2015 vs H1 2014

Gross profit margin improved much more by 2.5%-point vis-à-vis H1 2014 as a result of better gross profit margin across ASEAN markets and lower inventory write off. Together with higher sales achieved for the current period, overall gross profit increased by S\$1.8 million or 16.6% year-on-year.

8(a)(iii) Other operating income

					Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	H1 2015	H2 2014	H1 2014	H1 2015 vs H2 2014	H1 2015 vs H1 2014			
	S\$'000	S\$'000	S\$'000	S\$'000	%	S\$'000	%	
Bad debt recovered	51	12	51	39	318.9	-	-	
Change in fair value of financial assets held for trading								
- forward foreign exchange contracts	76	47	-	29	60.8	76	100.0	
- listed equity security	-	55	5	(55)	(100.0)	(5)	(100.0)	
Grant income	33	-	41	33	100.0	(7)	(17.7)	
Net foreign exchange gain	-	190	-	(190)	(100.0)	-	-	

H1 2015 vs H2 2014

Other operating income decreased by S\$139,000 or 41.3% mainly due to net foreign exchange gain and fair value gain from listed equity security recorded in H2 2014 of S\$190,000 and S\$55,000 respectively vis-à-vis H1 2014. This was partially offset by higher fair value gain from forward foreign exchange contracts, bad debt recovered and grant income received in H1 2015.

H1 2015 vs H1 2014

Other operating income increased by S\$65,000 or 49.1% mainly due to higher fair value gain from forward foreign exchange contracts.

8(a)(iv) Operating expenses

H1 2015 vs H2 2014

Total operating expenses for H1 2015 amounted to S\$11.0 million which represent an increase of S\$0.6 million or 5.6% over H2 2014. This was partly attributable to net foreign exchange loss incurred in H1 2015 as compared to net foreign exchange gain in H2 2014. Other cost components increased in aggregate by S\$0.2 million or 1.9%. These variances were as follows:

	H1 2015	H2 2014	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Employee remuneration and related expenses	6,277	6,094	(183)	(3.0)
Impairment of trade receivables	68	-	(68)	(100.0)
Net foreign exchange loss	389	-	(389)	(100.0)
Professional fees	270	363	93	25.6
Travelling and transport	461	520	59	11.3
Rental	1,305	1,153	(152)	(13.1)

Employee remuneration and related expenses increased marginally by S\$0.2 million or 3.0% due mainly to annual pay increment while higher rental expense resulted from an increase in warehousing rates as well as higher inventory holding.

Impairment charge for trade receivables for the current period of S\$68,000 was mainly for certain customers in Indonesia while minimal impairment was recognised in H2 2014.

Certain professional services that were incurred in H2 2014 such as tax-related consultancy fees, trademarks registration and lawyer's fees for financing of the purchase of land in Malaysia did not recur in the current period. This caused a decrease in the professional fees incurred in H1 2015.

H1 2015 vs H1 2014

As compared to H1 2014, total operating expenses increased more significantly by S\$1.2 million or 12.7%. The major variances were as follows:

	H1 2015 S\$'000	H1 2014 S\$'000	Variance Fav/(Unfav)	
			S\$'000	%
Employee remuneration and related expenses	6,277	5,617	(660)	(11.7)
Impairment of trade receivables	68	120	52	43.4
Net foreign exchange loss	389	73	(316)	(434.3)
Professional fees	270	326	56	17.2
Rental	1,305	944	(361)	(38.1)

The increase in rental expenses was due to reasons as explained in the previous section. While the increase in employee remuneration and related expenses were partly caused by annual pay increment, it was also due to higher performance-based rewards adjusted in line with better profitability achieved in the current period.

Another major increase in H1 2015 was net foreign exchange loss. This resulted from the volatile movement in the currency market.

This was offset by lower professional fees, due to non-recurring services incurred, and impairment of trade receivables.

8(a)(v) Finance costs

Finance costs comprised the following:-

	H1 2015 S\$'000	H2 2014 S\$'000	H1 2014 S\$'000	Variance Fav/(Unfav) H1 2015 vs H2 2014		Variance Fav/(Unfav) H1 2015 vs H1 2014	
				S\$'000	%	S\$'000	%
Bills payables	144	168	119	24	14.4	(25)	(21.2)
Bank loans	139	104	101	(35)	(33.9)	(38)	(36.9)
Total finance costs	283	272	220	(11)	(4.0)	(63)	(28.4)

H1 2015 vs H2 2014

Although borrowing rates had increased, finance costs incurred for trade borrowings fell by S\$24,000 or 14.4% in H1 2015 as average borrowings decreased as compared to H2 2014. This was brought about by positive cashflow generated from operations. On the other hand, additional finance costs were incurred on new long term bank loan drawn down in H1 2015 to finance the land purchase in Malaysia. This led to an overall marginal increase in finance costs of S\$11,000 or 4.0%.

H1 2015 vs H1 2014

As compared to H1 2014, average trade borrowings and borrowing rates were higher. Coupled with new long term bank loan drawn down, this led to an increase in finance costs by S\$63,000 or 28.4%.

As a percentage of sales, finance costs increased to 0.49% as compared to 0.45% in H2 2014 and 0.40% in H1 2014 respectively.

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

H1 2015 vs H2 2014

H1 2015 vs H1 2014

The overall Thai economy had yet to see a strong recovery this year. This translated into a lacklustre performance by our associated companies. In addition, certain closure costs were incurred by one of the associated companies which further reduced overall profitability.

As such, our share of profit in H1 2015 declined by S\$0.2 million as compared to both H2 2014 and H1 2014.

8(a)(vii) Profit before income tax

H1 2015 vs H2 2014

The decrease in profit before tax by S\$0.7 million or 24.4% as compared to H2 2014 was largely due to unfavourable impact from foreign exchange loss of S\$0.6 million and lower share of profit of associated companies of S\$0.2 million. EBITDA also fell by S\$0.7 million or 17.7% due to the same reasons noted above.

H1 2015 vs H1 2014

On the other hand, profit before tax increased by S\$0.4 million or 27.0% year-on-year. Although higher operating expenses and finance costs and lower share of profit of associated companies drove profitability down by S\$1.3 million and S\$0.2 million respectively, the increase in gross profit achieved of S\$1.8 million more than make up for it. As for EBITDA, it increased by S\$0.5 million or 19.3% as compared to H1 2014.

8(a)(viii) Net profit

Consistent with the above, net profit after tax decreased by S\$0.6 million or 27.2% vis-à-vis for H2 2014 to S\$1.5 million and year-on-year, it increased by S\$0.4 million or 30.7%.

8(a)(ix) Total comprehensive income

Comprehensive income fell by S\$1.2 million or 53.4% and S\$0.1 million or 9.8% as compared to H2 2014 and H1 2014 respectively. This was due to net exchange losses on translation of foreign operations of S\$0.5 million in H1 2015 as opposed to net exchange gain on translation of S\$0.2 million in H2 2014 and negligible exchange impact for H1 2014.

The net exchange losses on translation of foreign operations of S\$0.5 million in H1 2015 arose primarily from the significant weakening in Malaysia Ringgit while the net exchange gains on translation in H2 2014 resulted from a mix of a stronger Thai Baht and United States Dollar.

8(b) BALANCE SHEET ANALYSIS

Balance Sheet Highlights	As at		Variance
	← 30 June 2015	31 December 2014 →	30 June 2015 vs 31 December 2014
			Fav/(Unfav)
Cash (S\$'mil)	9.1	9.0	0.1
Borrowings (S\$'mil)	21.8	21.9	0.1
Current ratio	1.90	1.74	0.16
Gearing ratio	0.52	0.52	-
Net assets per share attributable to equity holders of the Company (cents)	31.37	31.45	(0.08)
Inventory turnover (days)	97	90	(7)
Trade receivables turnover (days)	93	89	(4)

Property, plant and equipment

The decrease in property, plant and equipment of S\$0.9 million was due to depreciation charge of S\$759,000 for the current period and translation loss of S\$0.2 million arising primarily from the weakening of Malaysia Ringgit on the land purchased in Malaysia.

Associated companies

The decreased in carrying value of our associated companies by S\$0.1 million or 2.0% vis-à-vis 31 December 2014 was in line with positive contribution from our associated companies for the current period of S\$0.3 million offset by dividends received of S\$0.4 million.

Trade receivables

Net third party trade receivables decreased by S\$1.4 million or 4.9% from S\$29.4 million as at 31 December 2014 to S\$28.0 million as at 30 June 2015 as a result of slower sales in H1 2015 as compared to record half yearly sales of S\$60.3 million in H2 2014. However, turnover days for the current period increased to 93 days as compared to 89 days for the full year as proportion of outstanding receivables from customers from South America, resulted from strong H2 2014 sales, remained high.

Inventory

Inventory decreased marginally by S\$0.5 million or 2.2% to S\$21.0 million as at 30 June 2015 as compared to S\$21.5 million as at 31 December 2014. This was also in line with slower sales in H1 2015. Inventory turnover days increased from 90 days for the full year of 2014 to 97 days in H1 2015.

Other current assets

Other current assets of S\$2.7 million, which consist mainly of advances to suppliers and prepayments, increased by S\$0.9 million or 47.2% as compared to S\$1.8 million as at end of last year largely due to timing difference in advance payments to suppliers and prepayments.

Financial assets and financial liabilities held for trading

Both financial assets and financial liabilities held for trading were relatively unchanged as compared to 31 December 2014.

Trade and other payables

Trade payables remained stable at S\$7.5 million as at 30 June 2015 vis-à-vis 31 December 2014.

Other payables decreased by S\$0.9 million as final payments made for the purchase of industrial land in Malaysia were made. Advance payments from customers and accrued operating expenses fell by another S\$0.4 million and S\$0.8 million respectively as a result of timing differences.



Borrowings

Healthy cash generated from operating activities in H1 2015 were utilised to reduce short term trade borrowings of S\$1.7 million and to service instalment payments of existing long term bank loan of S\$0.3 million.

We had drawn down a new long term bank of S\$1.8 million for the final payments on the purchase of industrial land in Malaysia which led to the increase in long term borrowings.

The effect was a decreased in total borrowings by S\$0.1 million and consequentially, our gearing ratio remained flat at 0.52.

Net asset value

Net asset value per share decreased from 31.45 cents as at 31 December 2014 to 31.37 cents as at 30 June 2015 primarily due to comprehensive income for the current period of S\$0.8 million offset by dividend payment to shareholders of S\$0.9 million.

8(c) CASH FLOW

Cash and cash equivalents of S\$9.1 million as at 30 June 2015 were relatively flat as compared to S\$9.0 million as at 31 December 2014. S\$2.2 million was generated from operating activities and dividends amounting to S\$0.4 million were received from our associated company. These were substantially used to reduce our overall short term trade borrowings by S\$1.7 million and meet our dividends obligation of S\$1,050,000 for FY2014.

Net proceeds from long term bank loans of S\$1.6 million were partially used to finance capital expenditure of which almost all relate to the final payments made for the purchase of industrial land in Malaysia.

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

In our full year results announcement for the financial year ended 31 December 2014, we did not provide specific prediction of our performance for H1 2015.

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 second half of 2015 ("H2 2015") are as follows:

The global economy

Although the US economy remains on track, the fear of further deceleration in China's growth and concern over the fragility of the Euro zone have escalated. If these risk factors do not subside, it will weigh on the prospects for the chemical industry. This will then have an impact on our business.

Volatility in energy prices

Volatility in energy prices may affect chemical prices and demand for chemicals and thus our selling prices.

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 currency risk management. While we will continue to hedge our exposure, 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. Hike in interest rates in the US and possibly in UK is becoming more imminent. Any drastic increase in market interest rates will increase our borrowing cost.

Credit risk

Our products are sold to more than 2,000 customers across many countries. 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' requirement. 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

Megachem's positive results in H1 2015 exceeded our expectation considering the benign business conditions, marked by the Greek financial debacle and the slower economic growth in China. It is a testament to our sound business model and relentless focus on delivering value to our business partners.

We expect the same risk factors that clouded the world economy in the first half to remain intact in the second half. Therefore, the business sentiment in the second half is likely to be muted. Against that backdrop, the Group will remain focused on strengthening our business fundamentals whilst adopting an active approach towards managing any downside risk.

11. Dividend

(a) Current financial period reported on

Any interim dividend declared for the financial period ended? Yes

The directors are pleased to declare an interim tax exempt dividend of 0.3 cent per share in respect of the financial period ended 30 June 2015 as follows:

Name of dividend	Interim
Dividend type	Cash
Dividend amount per share (in cents)	0.3
Tax rate	Exempt
Date payable/paid	30 September 2015
Book closure date	15 September 2015

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the immediately preceding financial period ended 30 June 2014? Yes

Name of dividend	Interim
Dividend type	Cash
Dividend amount per share (in cents)	0.3
Tax rate	Exempt
Date payable/paid	30 September 2014
Book closure date	12 September 2014

(c) Date payable

The interim tax exempt dividend of 0.3 cent per share in respect of the financial period ended 30 June 2015 will be paid on 30 September 2015.

(d) Books closure date

The Transfer Books and Register of Members of the Company will be closed on 15 September 2015 for the purpose of determining member's entitlements to the proposed interim 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 14 September 2015 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 14 September 2015 will be entitled to the payment of the proposed dividend.

Payment of the interim tax exempt dividend of 0.3 cent per share will be made on 30 September 2015.

12. Related Parties and Interested Person Transactions

Name of interested person	Aggregate value of all interested person transactions during the financial period ended 30 June 2015 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 period ended 30 June 2015 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	(Note 1)	Nil (Note 5)
Sales of products to Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	(Note 2)	Nil (Note 5)
Purchase of products from Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	S\$109,226 (Note 2)	Nil (Note 5)
Purchase of products from SPCI Pte Ltd, a company of which Dr Tay Kin Bee is also a director	(Note 3)	Nil (Note 5)
Short term loan from Tan Bock Chia, a director of Megachem Group	(Note 4)	Nil (Note 5)

Note 1 : The Group entered into interested person transactions amounting in aggregate to S\$52,363 and each transaction was below S\$100,000 which fell outside the scope of Rule 920.

Note 2 : The Group entered into sales and purchase transactions amounting in aggregate to S\$5,090 and S\$349,252 respectively. Saved for the purchase transaction which amounted to S\$109,226 as disclosed in the above table, each sales and purchase transaction was below S\$100,000 which fell outside of the scope of Rule 920.

Note 3 : The Group entered into purchase transactions amounting in aggregate to S\$49,711 and each transaction was below S\$100,000 which fell outside the scope of Rule 920.

Note 4 : The short term loan of S\$845,520 received by the Group which remains outstanding as at 30 June 2015 is interest-free.

Note 5 : There was no prior shareholders' mandate obtained for the interested person transactions.



Negative assurance confirmation on interim financial results under SGX Listing Rule 705(5) of the SGX Listing Manual, Section B: Rules of Catalyst

We, Chew Choon Tee and Tan Bock Chia being two directors of Megachem Limited (the "Company"), do hereby confirm on behalf of the Board of Directors that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited results for the half year ended 30 June 2015 to be false or misleading in any material aspects.

On behalf of the Board of Directors

Chew Choon Tee
Executive Chairman

Tan Bock Chia
Executive Director

11 August 2015