



**MEGACHEM LIMITED**

**Condensed Interim Financial  
Statements**

**For The Half Year Ended  
30 June 2023**

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

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**CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT AND FOR THE HALF YEAR ENDED 30 JUNE 2023**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED  
30 JUNE 2023**

		Unaudited For the half year ended 30 June 2023	Unaudited For the half year ended 30 June 2022	Variance Favourable/(Unfavourable)	
Note	S\$	S\$	S\$	%	
<b>Revenue</b>	3	60,685,018	75,174,309	(14,489,291)	(19.3%)
Cost of sales		<u>(47,314,070)</u>	<u>(56,553,067)</u>	9,238,997	16.3%
<b>Gross profit</b>		13,370,948	18,621,242	(5,250,294)	(28.2%)
Other income	4	431,122	735,152	(304,030)	(41.4%)
Distribution costs		(7,904,302)	(9,082,442)	1,178,140	13.0%
Administrative expenses		(2,927,186)	(3,070,675)	143,489	4.7%
Other operating expenses		(1,339,834)	(1,877,263)	537,429	28.6%
Finance costs	5	(996,269)	(492,541)	(503,728)	(102.3%)
Share of profit of associated companies		616,323	723,868	(107,545)	(14.9%)
<b>Profit before income tax</b>	6	<u>1,250,802</u>	<u>5,557,341</u>	(4,306,539)	(77.5%)
Income tax expense	7	<u>(320,902)</u>	<u>(1,099,422)</u>	778,520	70.8%
<b>Net profit after tax</b>		<u>929,900</u>	<u>4,457,919</u>	(3,528,019)	(79.1%)
<b>Other comprehensive income:</b>					
Exchange differences on translating foreign operations, net of tax		<u>(679,592)</u>	<u>(636,535)</u>	(43,057)	(6.8%)
<b>Total comprehensive income</b>		<u>250,308</u>	<u>3,821,384</u>	(3,571,076)	(93.4%)
Net profit attributable to:					
Equity holders of the Company		811,363	4,261,359	(3,449,996)	(81.0%)
Non-controlling interests		<u>118,537</u>	<u>196,560</u>	(78,023)	(39.7%)
<b>Net profit</b>		<u>929,900</u>	<u>4,457,919</u>	(3,528,019)	(79.1%)
Total comprehensive income attributable to:					
Equity holders of the Company		102,241	3,617,292	(3,515,051)	(97.2%)
Non-controlling interests		<u>148,067</u>	<u>204,092</u>	(56,025)	(27.5%)
<b>Total comprehensive income</b>		<u>250,308</u>	<u>3,821,384</u>	(3,571,076)	(93.4%)
Earnings per share of profit attributable to equity holders of the Company during the reporting period					
- basic and diluted	9	<u>0.61 cents</u>	<u>3.20 cents</u>	(2.59 cents)	(80.9%)



## STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	Group		Company	
		Unaudited 30 June 2023 S\$	Audited 31 December 2022 S\$	Unaudited 30 June 2023 S\$	Audited 31 December 2022 S\$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	15,383,197	15,359,176	1,642,136	1,271,586
Right-of-use assets	12	2,455,217	2,589,994	1,024,471	1,008,388
Investment property	13	57,519	61,688	-	-
Investments in subsidiaries		-	-	5,723,472	5,723,472
Investments in associated companies		7,914,634	7,901,273	2,798,756	2,798,756
Transferable club memberships		24,303	25,268	4,001	4,001
Other receivables		-	-	661,508	962,936
Deferred tax assets		396,384	397,504	-	-
		<u>26,231,254</u>	<u>26,334,903</u>	<u>11,854,344</u>	<u>11,769,139</u>
<b>Current assets</b>					
Inventories	14	40,852,971	49,338,304	21,948,829	26,934,085
Trade and other receivables	15	23,701,875	27,567,016	18,772,198	21,651,468
Financial assets at fair value through profit or loss	16	-	33,168	-	6,903
Other current assets		2,288,765	1,879,486	329,119	328,356
Cash and bank balances		<u>12,394,856</u>	<u>11,932,498</u>	<u>1,681,845</u>	<u>1,560,854</u>
		<u>79,238,467</u>	<u>90,750,472</u>	<u>42,731,991</u>	<u>50,481,666</u>
<b>Total assets</b>		<u>105,469,721</u>	<u>117,085,375</u>	<u>54,586,335</u>	<u>62,250,805</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	17	15,892,028	15,892,028	15,892,028	15,892,028
Other reserves		(7,302,315)	(6,593,193)	-	-
Retained earnings		<u>48,506,980</u>	<u>49,295,217</u>	<u>6,465,121</u>	<u>7,807,644</u>
		57,096,693	58,594,052	22,357,149	23,699,672
Non-controlling interests		<u>3,264,085</u>	<u>3,146,355</u>	-	-
<b>Total equity</b>		<u>60,360,778</u>	<u>61,740,407</u>	<u>22,357,149</u>	<u>23,699,672</u>
<b>Non-current liabilities</b>					
Borrowings	18	666,667	916,667	666,667	916,667
Financial liabilities - lease liabilities		2,518,572	2,404,937	1,261,826	1,071,372
Deferred tax liabilities		<u>60,231</u>	<u>216,549</u>	-	<u>130,000</u>
		<u>3,245,470</u>	<u>3,538,153</u>	<u>1,928,493</u>	<u>2,118,039</u>
<b>Current liabilities</b>					
Current income tax liabilities		468,178	590,844	370,887	492,000
Trade and other payables	19	11,581,162	15,343,265	6,879,542	9,273,365
Borrowings	18	29,421,614	35,440,024	22,994,340	26,645,953
Financial liabilities - lease liabilities		343,541	324,602	55,924	15,037
Financial liabilities at fair value through profit or loss	20	<u>48,978</u>	<u>108,080</u>	-	<u>6,739</u>
		<u>41,863,473</u>	<u>51,806,815</u>	<u>30,300,693</u>	<u>36,433,094</u>
<b>Total liabilities</b>		<u>45,108,943</u>	<u>55,344,968</u>	<u>32,229,186</u>	<u>38,551,133</u>
<b>Total equity and liabilities</b>		<u>105,469,721</u>	<u>117,085,375</u>	<u>54,586,335</u>	<u>62,250,805</u>

**STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2023**

<u>The Group</u>	Note	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\$	
Current year :							
<b>Opening balance at 1 January 2023</b>		61,740,407	58,594,052	15,892,028	(6,593,193)	49,295,217	3,146,355
Total comprehensive income for the reporting period		250,308	102,241	-	(709,122)	811,363	148,067
Final dividend relating to 2022 paid	8	(1,599,600)	(1,599,600)	-	-	(1,599,600)	-
Final dividends paid to non-controlling interests		(30,337)	-	-	-	-	(30,337)
<b>Closing balance at 30 June 2023</b>		<b>60,360,778</b>	<b>57,096,693</b>	<b>15,892,028</b>	<b>(7,302,315)</b>	<b>48,506,980</b>	<b>3,264,085</b>
Previous year :							
<b>Opening balance at 1 January 2022</b>		60,388,019	57,258,322	15,892,028	(4,717,992)	46,084,286	3,129,697
Total comprehensive income for the reporting period		3,821,384	3,617,292	-	(644,067)	4,261,359	204,092
Final dividend relating to 2021 paid	8	(1,599,600)	(1,599,600)	-	-	(1,599,600)	-
Final dividends paid to non-controlling interests		(76,854)	-	-	-	-	(76,854)
<b>Closing balance at 30 June 2022</b>		<b>62,532,949</b>	<b>59,276,014</b>	<b>15,892,028</b>	<b>(5,362,059)</b>	<b>48,746,045</b>	<b>3,256,935</b>
<u>The Company</u>	Note	Total equity S\$	Share capital S\$	Retained earnings S\$			
Current year :							
<b>Opening balance at 1 January 2023</b>		23,699,672	15,892,028	7,807,644			
Total comprehensive income for the reporting period		257,077	-	257,077			
Final dividend relating to 2022 paid	8	(1,599,600)	-	(1,599,600)			
<b>Closing balance at 30 June 2023</b>		<b>22,357,149</b>	<b>15,892,028</b>	<b>6,465,121</b>			
Previous year :							
<b>Opening balance at 1 January 2022</b>		23,728,062	15,892,028	7,836,034			
Total comprehensive income for the reporting period		2,336,289	-	2,336,289			
Final dividend relating to 2021 paid	8	(1,599,600)	-	(1,599,600)			
<b>Closing balance at 30 June 2022</b>		<b>24,464,751</b>	<b>15,892,028</b>	<b>8,572,723</b>			



## CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE HALF YEAR ENDED 30 JUNE 2023

	Unaudited For the half year ended 30 June 2023 S\$	Unaudited For the half year ended 30 June 2022 S\$
<b>Cash flows from operating activities</b>		
Net profit before tax	1,250,802	5,557,341
Adjustments for:		
Depreciation of property, plant and equipment and investment property	551,768	429,998
Depreciation of right-of-use assets	201,874	239,823
Finance costs	996,269	492,541
Gain on disposal of quoted equity shares	-	(147,060)
Gain on disposal of property, plant and equipment	(7,289)	(48,485)
Interest income from banks	(42,258)	(23,343)
Share of profit of associated companies	(616,323)	(723,868)
Changes in fair value of financial assets at fair value through profit or loss	-	(158,517)
Changes in fair value of financial liabilities at fair value through profit or loss	46,915	448
Operating cash flows before working capital changes	<u>2,381,758</u>	<u>5,618,878</u>
Change in operating assets and liabilities :		
Trade and other receivables	3,899,013	(627,116)
Other current assets	(385,902)	(46,266)
Inventories	8,317,005	(9,074,505)
Trade and other payables	(3,653,490)	(1,100,829)
Foreign exchange adjustment differences	(100,337)	77,633
Cash from/(used in) operations	<u>10,458,047</u>	<u>(5,152,205)</u>
Income tax paid	(617,769)	(909,363)
Interest received	42,258	23,343
<b>Net cash from/(used in) operating activities</b>	<u>9,882,536</u>	<u>(6,038,225)</u>
<b>Cash flows from investing activities</b>		
Dividends received from associated company and listed equity	451,171	706,465
Purchase of property, plant and equipment	(767,876)	(1,296,627)
Proceeds from sale of quoted equity shares	-	697,060
Proceeds from sale of property, plant and equipment	8,159	48,582
<b>Net cash (used in)/from investing activities</b>	<u>(308,546)</u>	<u>155,480</u>
<b>Cash flows from financing activities</b>		
Dividends paid	(1,599,600)	(1,599,600)
Dividends paid by subsidiary to non-controlling shareholders	(30,337)	(76,854)
Repayments of long term bank loans	(250,000)	(250,000)
(Repayments of)/proceeds from bills payables	(6,756,771)	6,364,633
Proceeds from short term bank loans	1,043,753	1,720,496
Lease liabilities paid	(226,056)	(289,730)
Interest paid	(997,961)	(364,896)
<b>Net cash (used in)/from financing activities</b>	<u>(8,816,972)</u>	<u>5,504,049</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	757,018	(378,696)
Cash and cash equivalents, statement of cash flow, beginning balance	10,949,160	11,107,621
Effects of exchange rate changes on cash and cash equivalents	33,619	7,617
<b>Cash and cash equivalents, statement of cash flow, ending balance</b>	<u>11,739,797</u>	<u>10,736,542</u>
Cash and cash equivalents comprised the followings:		
Cash and bank balances	12,394,856	12,162,760
Less: bank overdraft	(655,059)	(1,426,218)
	<u>11,739,797</u>	<u>10,736,542</u>



## **SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

### **1.1 General**

Megachem Limited (the “Company”) is incorporated in Singapore with limited liability. The condensed interim financial statements as at and for the half year ended 30 June 2023 financial statements are presented in Singapore dollars and they cover the Company (referred to as “Parent”) and its subsidiaries and associated companies (collectively, the “Group”).

The principal activities of the Company and the Group consist of trading in chemicals and chemical-related products, contract manufacturing of chemicals and investment holding.

### **1.2 Statement of compliance with financial reporting standards**

The condensed interim financial statements for the half year ended 30 June 2023 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and the performance of the Group since the last annual financial statements for the year ended 31 December 2022.

Except as disclosed in Note 1.5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the audited financial statements for the financial year ended 31 December 2022.

### **1.3 Accounting convention**

The condensed interim financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in the condensed interim financial statements.

### **1.4 Basis of preparation of the condensed interim financial statements**

The preparation of the condensed interim financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 30 June 2023 and the reported amounts of revenues and expenses for the half year ended 30 June 2023. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### **1.5 Changes and adoption of financial reporting standards**

On 1 January 2023, the Group adopted the new and revised 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.

### **2.1 Critical judgements, assumptions and estimation uncertainties**

Apart from those involving estimations, management has made critical judgements in the process of applying the entity’s accounting policies. The areas requiring management’s subjective or complex judgements, or areas where key assumptions concerning the future and key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting period are as follows:

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)

### 2.1 Critical judgements, assumptions and estimation uncertainties (cont'd)

- (i) Net realisable value of inventories
- (ii) Expected credit loss allowance on trade receivables
- (iii) Measurement of impairment of subsidiary or associate
- (iv) Income tax amounts

### 2.2 Fair value measurement

When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

### 3. Revenue

	Group unaudited half year ended 30 June	
	<u>2023</u> S\$	<u>2022</u> S\$
Sale of goods	58,726,065	73,419,816
Rendering of services	1,958,953	1,754,493
Total sales	<u>60,685,018</u>	<u>75,174,309</u>

#### (i) Disaggregation of revenue

The segment in Singapore derives revenue from sales of good and blending services. The following table set out the Group's revenue disaggregated by primary geographical markets and secondary business segment. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable geographical segment (Note 25).

	Sales of goods unaudited half year ended 30 June		Rendering of services unaudited half year ended 30 June	
	<u>2023</u> S\$	<u>2022</u> S\$	<u>2023</u> S\$	<u>2022</u> S\$
	<b>Group</b>			
<b>Primary geographical markets</b>				
Singapore	27,436,167	30,036,696	1,958,953	1,754,493
Rest of geographical areas	31,289,898	43,383,120	-	-
Total sales	<u>58,726,065</u>	<u>73,419,816</u>	<u>1,958,953</u>	<u>1,754,493</u>

#### (ii) Seasonality of operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.



**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)**
**4. Other income**

	Group unaudited half year ended 30 June	
	<u>2023</u> S\$	<u>2022</u> S\$
Changes in fair value of financial assets at fair value through profit or loss – forward foreign exchange contract	–	158,517
Compensation claims	–	17,119
Gain on disposal of quoted equity shares	–	147,060
Gain on disposal of property, plant and equipment	7,289	48,485
Government grant	43,036	49,129
Interest income – banks	42,258	23,343
Net foreign exchange gain	100,513	–
Rental income	7,581	8,073
Trade receivables recovered	230,445	283,426
Total other income	<u>431,122</u>	<u>735,152</u>

**5. Finance costs**

	Group unaudited half year ended 30 June	
	<u>2023</u> S\$	<u>2022</u> S\$
Interest expense		
- Bills payable to banks	472,880	222,701
- Bank loans	397,385	154,000
- Bank overdraft	53,669	45,982
- Hire purchase	3,745	–
- Lease for right-of-use assets	68,590	69,858
Total finance costs	<u>996,269</u>	<u>492,541</u>

**6. Profit before income tax**

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

	Group unaudited half year ended 30 June	
	<u>2023</u> S\$	<u>2022</u> S\$
Cost of inventories	43,821,749	53,996,040
Changes in fair value of financial liabilities at fair value through profit or loss	46,915	448
Depreciation of investment property	1,421	1,513
Depreciation of property, plant and equipment	550,347	428,485
Depreciation of right-of-use assets	201,874	239,823
Employee compensation	8,025,413	9,106,792
Net foreign exchange loss	–	469,741
Impairment of doubtful trade receivables	12,614	193,926
Allowance for inventories	1,836,195	640,988
Warehouse storage charges	<u>1,320,680</u>	<u>1,488,480</u>



## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)

### 7. Income tax expense

	Group unaudited half year ended 30 June	
	2023 S\$	2022 S\$
Current period:		
Current tax expense	441,821	920,893
Deferred tax (benefit)/expense	(168,259)	178,143
Sub-total	<u>273,562</u>	<u>1,099,036</u>
Prior periods:		
Under adjustments for current tax expense	34,279	1,641
Under adjustments for deferred tax expense	13,061	(1,255)
Sub-total	<u>47,340</u>	<u>386</u>
Total income tax expense	<u>320,902</u>	<u>1,099,422</u>

### 8. Dividends

	Group and Company unaudited half year ended 30 June	
	2023 S\$	2022 S\$
Final tax exempt dividend paid of 1.2 cents per share (30 June 2022: 1.2 cents per share) in respect of previous year end	<u>1,599,600</u>	<u>1,599,600</u>

### 9. Earnings per ordinary share (in cents)

	Group unaudited half year ended 30 June	
	2023	2022
a) Based on weighted average number of ordinary shares on issue	0.61	3.20
b) On a fully diluted basis	0.61	3.20
Weighted average number of ordinary shares in issue for earnings per share	<u>133,300,000</u>	<u>133,300,000</u>

### 10. Net asset value per ordinary share based on issued share capital (in cents)

	Group		Company	
	Unaudited 30 June 2023	Audited 31 December 2022	Unaudited 30 June 2023	Audited 31 December 2022
Net asset value per ordinary share based on issued share capital (cents)	42.83	43.96	16.77	17.78
No of ordinary shares used in calculation	133,300,000	133,300,000	133,300,000	133,300,000

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)**
**11. Property, plant and equipment**

During the half year ended 30 June 2023, the Group acquired property, plant and equipment with an aggregate cost of S\$986,876 (half year ended 30 June 2022: S\$1,296,627) which include plant and equipment acquired under hire purchase arrangement of S\$219,000 (half year ended 30 June 2022: S\$Nil).

Capital commitments of the Group as at 30 June 2023 amounted to S\$81,391 (31 December 2022: S\$669,669).

**12. Right-of-use assets**

During the half year ended 30 June 2023, the Group acquired right-of-use assets with an aggregate cost of S\$Nil (half year ended 30 June 2022: S\$8,797).

**13. Investment property**

	Group	
	Unaudited 30 June <u>2023</u> S\$	Audited 31 December <u>2022</u> S\$
<u>At cost:</u>		
Balance at beginning of reporting period	127,838	136,218
Currency translation differences	<u>(5,803)</u>	<u>(8,380)</u>
Balance at end of reporting period	<u>122,035</u>	<u>127,838</u>
<u>Accumulated depreciation:</u>		
Balance at beginning of reporting period	66,150	67,429
Depreciation charge	1,421	2,968
Currency translation differences	<u>(3,055)</u>	<u>(4,247)</u>
Balance at end of reporting period	<u>64,516</u>	<u>66,150</u>
<u>Net book value:</u>		
Balance at beginning of reporting period	<u>61,688</u>	<u>68,789</u>
Balance at end of reporting period	<u>57,519</u>	<u>61,688</u>
<u>Fair value:</u>		
Fair value at end of reporting period	<u>279,872</u>	<u>293,179</u>

The fair value was measured based on comparison with market evidence of recent transaction prices for similar properties. The significant observable inputs used in measurement is price per square foot and the weighted average range is S\$198 – S\$203.

**14. Inventories**

	Group		Company	
	Unaudited 30 June <u>2023</u> S\$	Audited 31 December <u>2022</u> S\$	Unaudited 30 June <u>2023</u> S\$	Audited 31 December <u>2022</u> S\$
Finished/trading goods	<u>40,852,971</u>	<u>49,338,304</u>	<u>21,948,829</u>	<u>26,934,085</u>

Inventories are stated after allowance. The allowance as at 30 June 2023 amounted to S\$6,493,498 (31 December 2022: S\$4,661,436) and S\$3,227,000 (31 December 2022: S\$1,858,000) for the Group and the Company respectively.

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)**
**15. Trade and other receivables**

	Group		Company	
	Unaudited 30 June 2023 S\$	Audited 31 December 2022 S\$	Unaudited 30 June 2023 S\$	Audited 31 December 2022 S\$
<i>Current :</i>				
<u>Trade receivables:</u>				
Non-related parties	23,428,140	27,537,366	6,951,330	10,487,856
Subsidiaries	–	–	8,264,564	8,207,681
Associated company	32,143	47,662	24,980	18,048
Less: allowance for impairment – non-related parties	(387,961)	(558,948)	(17,390)	(24,127)
Less: allowance for impairment – subsidiaries	–	–	(1,471,000)	(1,582,000)
Net trade receivables – subtotal	<u>23,072,322</u>	<u>27,026,080</u>	<u>13,752,484</u>	<u>17,107,458</u>
<u>Other receivables:</u>				
Short term loans to subsidiaries	–	–	3,760,790	3,908,213
Loan term loans to subsidiaries	–	–	394,372	393,210
Subsidiaries	–	–	2,203,787	1,912,931
Associated company	76	1,627	76	1,627
Advance payment to subsidiary	–	–	387,513	–
Non-related parties	629,477	539,309	2,176	57,029
Less: allowance for impairment - subsidiaries	–	–	(1,729,000)	(1,729,000)
Net other receivables – subtotal	<u>629,553</u>	<u>540,936</u>	<u>5,019,714</u>	<u>4,544,010</u>
Total net trade and other receivables - current	<u>23,701,875</u>	<u>27,567,016</u>	<u>18,772,198</u>	<u>21,651,468</u>
<i>Non-current:</i>				
<u>Other receivables:</u>				
Long term loans to subsidiaries	–	–	1,001,508	1,191,936
Less: allowance for impairment	–	–	(340,000)	(229,000)
Total other receivables – non-current	–	–	661,508	962,936
Total trade and other receivables	<u>23,701,875</u>	<u>27,567,016</u>	<u>19,433,706</u>	<u>22,614,404</u>

The expected credit losses (ECL) on the above trade receivables are based on the simplified approach to measuring the ECL which uses a lifetime ECL allowance approach. The allowance matrix is based on the historical observed default rates (over a period of 36 months) over the expected life of the trade receivables. At every reporting date the historical observed default rates are updated. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk. Any contractual payment which is more than 1 year past due is considered credit impaired.

**16. Financial assets at fair value through profit and loss**

	Group		Company	
	Unaudited 30 June 2023 S\$	Audited 31 December 2022 S\$	Unaudited 30 June 2023 S\$	Audited 31 December 2022 S\$
At fair value:				
Forward foreign exchange contracts (Level 2)	–	33,168	–	6,903
Total financial assets at fair value through profit or loss	<u>–</u>	<u>33,168</u>	<u>–</u>	<u>6,903</u>



## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)

### 17. Share capital

	Group and Company	
	No of shares issued	Share capital \$
Ordinary shares of no par value:		
Balance at 1 January 2023 and 30 June 2023	<u>133,300,000</u>	<u>15,892,028</u>

There have been no changes in the Company's issued share capital since the end of the previous financial year reported on being 31 December 2022.

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 reporting periods ended 30 June 2023 and 30 June 2022.

There were no outstanding convertibles and subsidiary holdings as at the end of the reporting periods ended 30 June 2023 and 30 June 2022.

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

### 18. Borrowings

	Group		Company	
	Unaudited 30 June <u>2023</u> S\$	Audited 31 December <u>2022</u> S\$	Unaudited 30 June <u>2023</u> S\$	Audited 31 December <u>2022</u> S\$
<i>Current :</i>				
Bank overdraft (unsecured)	655,059	983,338	–	–
Bill payables (unsecured)	11,656,800	17,192,759	9,094,330	13,438,853
Short term bank loans (unsecured)	14,713,426	13,969,751	13,400,010	12,707,100
Long term bank loans (unsecured)	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Unsecured sub-total	27,525,285	32,645,848	22,994,340	26,645,953
Bill payables (secured)	1,896,329	2,568,111	–	–
Short term bank loans (secured)	–	226,065	–	–
Secured sub-total	<u>1,896,329</u>	<u>2,794,176</u>	–	–
Current, total	<u>29,421,614</u>	<u>35,440,024</u>	<u>22,994,340</u>	<u>26,645,953</u>
<i>Non-current:</i>				
Long term bank loans (unsecured)	<u>666,667</u>	<u>916,667</u>	<u>666,667</u>	<u>916,667</u>
Non-current, total	<u>666,667</u>	<u>916,667</u>	<u>666,667</u>	<u>916,667</u>
Total borrowings	<u>30,088,281</u>	<u>36,356,691</u>	<u>23,661,007</u>	<u>27,562,620</u>

The secured bill payables and short term bank loans as at 30 June 2023 and 31 December 2022 are collateralized on fixed and floating charges over all the assets and undertaking of certain subsidiaries, including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future.

The Group and the Company comply with all bank covenants for the half year ended 30 June 2023.



## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)

### 19. Trade and other payables

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
	S\$	S\$	S\$	S\$
<u>Trade payables:</u>				
Non-related parties	5,241,117	6,769,669	1,602,409	2,995,674
Associated company	–	10,681	–	1,918
Related parties	–	64,446	–	–
Subsidiaries	–	–	529,167	506,346
Trade payables – subtotal	<u>5,241,117</u>	<u>6,844,796</u>	<u>2,131,576</u>	<u>3,503,938</u>
<u>Other payables:</u>				
Associated company	15,223	2,843	12,353	–
Subsidiaries	–	–	409,036	260,305
Loan from subsidiary	–	–	1,275,110	1,262,702
Advance payments from customers	98,060	266,213	2,954	13,631
Advance payments from subsidiary	–	–	169,724	–
Accrued liabilities	4,054,047	5,948,646	1,724,606	3,023,630
Deferred income from subsidiaries	–	–	312,293	–
Other payables	2,172,715	2,280,767	841,890	1,209,159
Other payables – subtotal	<u>6,340,045</u>	<u>8,498,469</u>	<u>4,747,966</u>	<u>5,769,427</u>
Total trade and other payables	<u>11,581,162</u>	<u>15,343,265</u>	<u>6,879,542</u>	<u>9,273,365</u>

### 20. Financial liabilities at fair value through profit and loss

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
	S\$	S\$	S\$	S\$
<u>At fair value:</u>				
Forward foreign exchange contracts (Level 2)	48,978	108,080	–	6,739
Total financial liabilities at fair value through profit or loss	<u>48,978</u>	<u>108,080</u>	<u>–</u>	<u>6,739</u>

### 21. Fair value measurements recognised in the statements of financial position

Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

The fair value of forward foreign exchange contracts is based on the current value of the difference between the contractual exchange rate and the market rate at the end of the reporting period. The valuation method uses market observable inputs.

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, bills payables, short term bank loans and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

The carrying amounts of finance lease liabilities are a reasonable approximation of fair value. The fair value of the finance leases are estimated by discounting the future cash flows payable under the terms of the finance leases.

The fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.



## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)

### 22. Categories of financial assets and liabilities

	Group		Company	
	Unaudited 30 June 2023 S\$'000	Audited 31 December 2022 S\$'000	Unaudited 30 June 2023 S\$'000	Audited 31 December 2022 S\$'000
<u>Financial assets</u>				
Financial assets at amortised cost	35,801	39,500	20,728	24,175
Financial assets at FVTPL	–	33	–	7
At end of the reporting period	<u>35,801</u>	<u>39,533</u>	<u>20,728</u>	<u>24,182</u>
<u>Financial liabilities</u>				
Financial liabilities at amortised cost	44,433	54,163	31,373	37,909
Financial liabilities at FVTPL	49	108	–	7
At end of the reporting period	<u>44,482</u>	<u>54,271</u>	<u>31,373</u>	<u>37,916</u>

### 23. Contingent liabilities

	Company	
	Unaudited 30 June 2023 S\$'000	Audited 31 December 2023 S\$'000
Undertaking to provide continuing financial support to subsidiaries with net liabilities amounted to:		
Megachem Australia Pty Ltd	2,458	2,422
Megachem Specialty Chemicals (I) Private Limited	671	342
Corporate guarantee provided to banks on subsidiaries' loans payable	<u>6,427</u>	<u>8,794</u>

### 24. Related party transactions

	Group unaudited half year ended 30 June	
	2023 S\$	2022 S\$
<u>Associated companies</u>		
Sales of inventories	99,819	228,341
Purchases of inventories	<u>(16,564)</u>	<u>(47,071)</u>
<u>Related parties</u>		
Purchases of inventories(a)	<u>(232,628)</u>	<u>(288,403)</u>

(a) Purchases of inventories from Chori Co., Ltd, a controlling shareholder of the Company, and its related companies.



## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)

### 24. Related party transactions (cont'd)

Shareholders' mandate was obtained for interested person transactions with Chori Co., Ltd and its related corporations. There are no sales to Chori Co., Ltd and its corporation under shareholders' mandate pursuant to Rule 920 in the half year ended 30 June 2023.

The Group purchased products from Chori Co., Ltd and its related corporations amounting to S\$232,628 in the half year ended 30 June 2023.

Name of interested person	Aggregate value of all interested person transactions during the reporting period ended 30 June 2023 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 reporting period ended 30 June 2023 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Sales of products to Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	Nil	Nil
Purchase of products from Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	Nil	S\$232,628

### 25. Subsequent event

A fire broke out on 5 July 2023 at the Company's warehouse located at 132 Pioneer Road. Based on our preliminary assessment, the incident is expected to have material negative impact on our financial results for the second half of 2023 and the full year of 2023. Please refer to the Company's announcement dated 5 July 2023 for more details in relation to the fire incident. The Company will make necessary announcements to keep shareholders updated as and when there are material developments.



**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)**
**26. Financial information by operating segments**

	<u>Singapore</u> S\$'000	<u>Malaysia</u> S\$'000	<u>United Kingdom</u> S\$'000	<u>China</u> S\$'000	<u>Middle East</u> S\$'000	<u>Others</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
<b>For the reporting period</b>								
<b>30 June 2023</b>								
<b>Sales</b>								
Total sales by segment	29,395	6,575	10,640	5,146	5,479	11,226	-	68,461
Inter-segment sales	(4,508)	(88)	(1,364)	(1,708)	(1)	(107)	-	(7,776)
	<u>24,887</u>	<u>6,487</u>	<u>9,276</u>	<u>3,438</u>	<u>5,478</u>	<u>11,119</u>	<u>-</u>	<u>60,685</u>
<b>Segment result</b>								
Interest income - bank	649	401	108	271	(33)	193	42	1,589
Finance costs							(996)	(996)
Share of profit of associated companies							616	616
Profit before income tax							(338)	1,251
Income tax expense							(321)	(321)
<b>Net profit</b>	<u>649</u>	<u>401</u>	<u>108</u>	<u>271</u>	<u>(33)</u>	<u>193</u>	<u>(659)</u>	<u>930</u>
<b>Other segment items</b>								
Capital expenditure	594	311	-	7	8	67	-	987
Depreciation	384	150	35	35	70	80	-	754
<b>Segment assets</b>								
Associated companies	41,410	16,536	8,002	4,730	7,746	16,715	-	95,139
Deferred tax assets							7,915	7,915
Interest earning cash balances							396	396
							2,020	2,020
<b>Consolidated total assets</b>	<u>41,410</u>	<u>16,536</u>	<u>8,002</u>	<u>4,730</u>	<u>7,746</u>	<u>16,715</u>	<u>10,331</u>	<u>105,470</u>
<b>Segment liabilities</b>								
Borrowings	(7,610)	(708)	(2,677)	(761)	(1,048)	(1,689)	-	(14,493)
Current income tax liabilities							(30,088)	(30,088)
Deferred tax liabilities							(468)	(468)
							(60)	(60)
<b>Consolidated total liabilities</b>	<u>(7,610)</u>	<u>(708)</u>	<u>(2,677)</u>	<u>(761)</u>	<u>(1,048)</u>	<u>(1,689)</u>	<u>(30,616)</u>	<u>(45,109)</u>

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)**
**26. Financial information by operating segments (cont'd)**

	<u>Singapore</u> S\$'000	<u>Malaysia</u> S\$'000	<u>United Kingdom</u> S\$'000	<u>China</u> S\$'000	<u>Middle East</u> S\$'000	<u>Others</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
<b>For the reporting period</b>								
<b>30 June 2022</b>								
<b>Sales</b>								
Total sales by segment	37,665	7,639	11,052	6,269	6,421	15,714	-	84,760
Inter-segment sales	(5,874)	(101)	(1,116)	(2,383)	(16)	(96)	-	(9,586)
	<u>31,791</u>	<u>7,538</u>	<u>9,936</u>	<u>3,886</u>	<u>6,405</u>	<u>15,618</u>	<u>-</u>	<u>75,174</u>
<b>Segment result</b>								
Interest income - bank	2,037	1,185	436	255	387	1,003	-	5,303
Finance costs							23	23
Share of profit of associated companies							(493)	(493)
Profit before income tax							724	724
Income tax expense							254	5,557
							(1,099)	(1,099)
<b>Net profit</b>	<u>2,037</u>	<u>1,185</u>	<u>436</u>	<u>255</u>	<u>387</u>	<u>1,003</u>	<u>(845)</u>	<u>4,458</u>
<b>Other segment items</b>								
Capital expenditure	554	642	5	3	-	93	-	1,297
Depreciation	334	97	41	38	81	78	-	669
<b>Segment assets</b>								
Associated companies	49,923	17,730	9,328	4,859	8,456	20,223	-	110,519
Deferred tax assets							7,759	7,759
Interest earning cash balances							457	457
							1,354	1,354
<b>Consolidated total assets</b>	<u>49,923</u>	<u>17,730</u>	<u>9,328</u>	<u>4,859</u>	<u>8,456</u>	<u>20,223</u>	<u>9,570</u>	<u>120,089</u>
<b>Segment liabilities</b>								
Borrowings	(12,227)	(899)	(2,150)	(1,215)	(881)	(2,140)	-	(19,512)
Current income tax liabilities							(37,470)	(37,470)
							(574)	(574)
<b>Consolidated total liabilities</b>	<u>(12,227)</u>	<u>(899)</u>	<u>(2,150)</u>	<u>(1,215)</u>	<u>(881)</u>	<u>(2,140)</u>	<u>(38,044)</u>	<u>(57,556)</u>



## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)

### 26. Financial information by operating segments (cont'd)

	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
<b>For the reporting period ended</b>				
<b>30 June 2023</b>				
<b>Sales</b>				
Total sales by segment	58,574	2,480	-	61,054
Inter-segment sales	(32)	(337)	-	(369)
	<u>58,542</u>	<u>2,143</u>	<u>-</u>	<u>60,685</u>
<b>Segment result</b>				
	1,159	430	-	1,589
Interest income - bank			42	42
Finance costs			(996)	(996)
Share of profit of associated companies			<u>616</u>	<u>616</u>
Profit before income tax			(338)	1,251
Income tax expense			<u>(321)</u>	<u>(321)</u>
<b>Net profit</b>	<u>1,159</u>	<u>430</u>	<u>(659)</u>	<u>930</u>
<b>Other segment items</b>				
Capital expenditure	973	14	-	987
Depreciation	595	159	-	754
				<u>754</u>
	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
<b>Segment assets</b>				
	88,090	7,049	-	95,139
Associated companies			7,915	7,915
Deferred tax assets			396	396
Interest earning cash balances			<u>2,020</u>	<u>2,020</u>
<b>Consolidated total assets</b>	<u>88,090</u>	<u>7,049</u>	<u>10,331</u>	<u>105,470</u>
<b>Segment liabilities</b>				
	(12,574)	(1,919)	-	(14,493)
Borrowings			(30,088)	(30,088)
Current income tax liabilities			(468)	(468)
Deferred income tax liabilities			<u>(60)</u>	<u>(60)</u>
<b>Consolidated total liabilities</b>	<u>(12,574)</u>	<u>(1,919)</u>	<u>(30,616)</u>	<u>(45,109)</u>



## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)

### 26. Financial information by operating segments (cont'd)

	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
<b>For the reporting period</b>				
<b>30 June 2022</b>				
<b>Sales</b>				
Total sales by segment	73,195	2,431	-	75,626
Inter-segment sales	(21)	(431)	-	(452)
	73,174	2,000	-	75,174
<b>Segment result</b>				
Interest income - bank			23	23
Finance costs			(493)	(493)
Share of profit of associated companies			724	724
Profit before income tax			254	5,557
Income tax expense			(1,099)	(1,099)
<b>Net profit</b>	4,988	315	(845)	4,458
<b>Other segment items</b>				
Capital expenditure	1,157	140	-	1,297
Depreciation	520	149	-	669
<b>Segment assets</b>				
Associated companies			7,759	7,759
Deferred tax assets			457	457
Interest earning cash balances			1,354	1,354
<b>Consolidated total assets</b>	103,804	6,715	9,570	120,089
<b>Segment liabilities</b>				
Borrowings	(17,630)	(1,882)	(37,470)	(57,982)
Current income tax liabilities			(574)	(574)
<b>Consolidated total liabilities</b>	(17,630)	(1,882)	(38,044)	(57,556)

## OTHER INFORMATION

### AUDIT

The statements of financial position as at 30 June 2023 and the related consolidated statement of profit or loss, consolidated statement of comprehensive income, statements of changes in equity and consolidated statement of cash flows for the half year period then ended and the selected explanatory notes (the "Condensed Interim Financial Statements") have not been audited or reviewed by the Company's auditors.

### REVIEW OF PERFORMANCE

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

Profitability Highlights	H1 2023	H1 2022	Variance H1 2023 vs H1 2022		H2 2022	Variance H1 2023 vs H2 2022	
			Fav/(Unfav)	%		Fav/(Unfav)	%
Sales (S\$mil)	60.7	75.2	(14.5)	(19.3%)	68.5	(7.9)	(11.5%)
Gross profit (S\$mil)	13.4	18.6	(5.2)	(28.2%)	15.8	(2.4)	(15.3%)
Gross profit margin	22.0%	24.8%	(2.8% pts)	na	23.0%	(1.0% pts)	na
Total operating expenses and finance costs (S\$mil)	13.2	14.5	1.3	9.3%	14.4	1.2	8.7%
Other income (S\$'000)	431	735	(304)	(41.4%)	516	(85)	(16.4%)
Share of profit of associated companies (S\$'000)	616	724	(108)	(14.9%)	396	220	55.8%
Profit before income tax (S\$mil)	1.3	5.6	(4.3)	(77.5%)	2.3	(1.0)	(45.0%)
Net profit (S\$mil)	0.9	4.5	(3.5)	(79.1%)	1.6	(0.7)	(42.2%)
Net profit margin	1.5%	5.9%	(4.4% pts)	na	2.3%	(0.8% pts)	na
EBITDA (S\$mil)	3.0	6.7	(3.7)	(55.8%)	3.8	(0.8)	(22.5%)
EBITDA margin	4.9%	8.9%	(4.0% pts)	na	5.6%	(0.7% pts)	na
Earnings per share attributable to the equity holders of the Company (cents)	0.61	3.20	(2.59)	(80.9%)	1.21	(0.60)	(49.6%)
Annualised return on equity (ROE)	2.8%	14.4%	(11.6% pts)	na	5.5%	(2.7% pts)	na

na : not applicable

**REVIEW OF PERFORMANCE (cont'd)**
**Profitability Review**
**(a) Sales**

			Variance Fav/(Unfav)				Variance Fav/(Unfav)	
	H1 2023	H1 2022	H1 2023 vs H1 2022		H2 2022	H1 2023 vs H2 2022		
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
ASEAN	35,615	45,692	(10,077)	(22.1)	37,388	(1,773)	(4.7)	
Europe	8,308	9,395	(1,087)	(11.6)	8,953	(645)	(7.2)	
Middle East	5,426	6,478	(1,052)	(16.2)	5,749	(323)	(5.6)	
North Asia	4,892	5,452	(560)	(10.3)	5,974	(1,082)	(18.1)	
Australia	4,299	4,184	115	2.7	7,835	(3,536)	(45.1)	
South Asia	1,833	3,691	(1,858)	(50.3)	1,989	(156)	(7.8)	
America	95	127	(32)	(25.2)	104	(9)	(8.7)	
Africa	217	155	62	40.0	555	(338)	(60.9)	
<b>Total</b>	<b>60,685</b>	<b>75,174</b>	<b>(14,489)</b>	<b>(19.3)</b>	<b>68,547</b>	<b>(7,862)</b>	<b>(11.5)</b>	

**Geographic Segment Sales Analysis**
**H1 2023 vs H2 2022**

Demand for chemicals remained weak in the first half of 2023 ("H1 2023") as fear of recession and elevated interest rate dampened economic growth. Coupled with inventory overhang and falling chemical prices in the chemical industry, all markets recorded lower sales in H1 2023 as compared to second half of 2022 ("H2 2022"). The biggest decrease came from Australia which recorded lower sales of S\$3.5 million or 45.1%. Sales to ASEAN and North Asia fell by S\$1.8 million or 4.7% and S\$1.1 million or 18.1% respectively. Sales to other markets declined by a smaller scale of up to S\$0.6 million.

As a result, total sales decreased by S\$7.9 million or 11.5% to S\$60.7 million in H1 2023 vis-à-vis sales of S\$68.5 million in H2 2022.

**H1 2023 vs H1 2022**

As compared to the first half of 2022 ("H1 2022") when demand was strong and chemical prices were high, total sales decreased by S\$14.5 million or 19.3%. ASEAN market recorded the biggest decline in sales of S\$10.1 million or 22.1%. This was followed by South Asia which contracted by S\$1.9 million or 50.3%. Sales to Europe and Middle East markets recorded lower sales of S\$1.1 million while sales to North Asia fell by a S\$0.6 million.

On the other hand, sales to Australia and Africa markets increased marginally by S\$0.1 million.

**Business Activity Segment Sales Breakdown**

			Variance Fav/(Unfav)				Variance Fav/(Unfav)	
	H1 2023	H1 2022	H1 2023 vs H1 2022		H2 2022	H1 2023 vs H2 2022		
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Distribution activity	58,542	73,174	(14,632)	(20.0)	66,587	(8,045)	(12.1)	
Manufacturing activity	2,143	2,000	143	7.2	1,960	183	9.4	
<b>Total Sales</b>	<b>60,685</b>	<b>75,174</b>	<b>(14,489)</b>	<b>(19.3)</b>	<b>68,547</b>	<b>(7,862)</b>	<b>(11.5)</b>	

## REVIEW OF PERFORMANCE (cont'd)

### Profitability Review (cont'd)

#### (a) Sales (cont'd)

H1 2023 vs H2 2022

H1 2023 vs H1 2022

H1 2023 sales from distribution segment decreased by S\$8.0 million or 12.1% and S\$14.6 million or 20.0% over H2 2022 and H1 2022 respectively.

Sales from the contract manufacturing segment increased by S\$0.2 million or 9.4% and S\$0.1 million or 7.2% as compared to H2 2022 and H1 2022 respectively.

#### (b) Gross profit

H1 2023 vs H2 2022

H1 2023 vs H1 2022

Gross profit margin dipped in H1 2023 (22.0%) as compared to H2 2022 (23.0%) and H1 2022 (24.8%). This was mainly due to higher allowance for inventory recorded in H1 2023 as compared to both periods.

As sales achieved in H1 2023 were lower as compared to H2 2022 and H1 2022, gross profit decreased by S\$2.4 million or 15.3% over H2 2022 and S\$5.2 million or 28.2% vis-à-vis H1 2022.

#### (c) Other income

			Variance Fav/(Unfav)		Variance Fav/(Unfav)		
	H1 2023	H1 2022	H1 2023 vs H1 2022	H2 2022	H1 2023 vs H2 2022		
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Change in fair value of financial assets at fair value through profit or loss							
- forward foreign exchange contracts	-	159	(159)	(100.0)	35	(35)	(100.0)
Compensation claims	-	17	(17)	(100.0)	17	(17)	(100.0)
Gain on disposal of quoted equity shares	-	147	(147)	(100.0)	-	-	-
Gain on disposal of plant and equipment	7	48	(41)	(85.0)	32	(25)	(77.5)
Grant income	43	49	(6)	(12.4)	6	37	> 100.0
Interest income	42	23	19	81.0	22	20	89.9
Net foreign exchange gain	101	-	101	NM	-	101	NM
Trade receivables recovered	230	283	(53)	(18.7)	400	(170)	(42.4)

NM : not meaningful

H1 2023 vs H2 2022

Other income in H1 2023 decreased by S\$85,000 or 16.4% as compared to H2 2022. This was mainly due to lower trade receivables recovered of S\$170,000, lower fair value gain of S\$35,000 from forward contracts and lower gain on disposal of plant and equipment of S\$25,000.

The decrease was partly offset by net foreign exchange gain of S\$101,000, higher grant income of S\$37,000 and higher interest income of S\$20,000.

## REVIEW OF PERFORMANCE (cont'd)

### Profitability Review (cont'd)

#### (c) Other income (cont'd)

##### H1 2023 vs H1 2022

Other income decreased by S\$304,000 or 41.4% year-on-year. The decrease was mainly due to the absence of fair value gain of S\$159,000 from forward contracts, absence of gain on disposal of quoted listed shares of S\$147,000, lower trade receivables recovered of S\$53,000 and lower gain on disposal of plant and equipment of S\$41,000.

The decrease was partly offset by net foreign exchange gain of S\$101,000 and higher interest income of S\$19,000.

#### (d) Operating expenses

			Variance Fav/(Unfav)		Variance Fav/(Unfav)		
	H1 2023	H1 2022	H1 2023 vs H1 2022	H2 2022	H1 2023 vs H2 2022		
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Change in fair value of financial liabilities at fair value through profit or loss							
- forward foreign exchange contracts	47	-	(47)	NM	114	67	58.8
Depreciation of property, plant and equipment	522	411	(111)	(26.6)	482	(40)	(8.1)
Depreciation of right-of-use assets	202	240	38	15.8	175	(27)	(15.6)
Employee compensation	7,515	8,593	1,078	12.5	7,798	283	3.6
Impairment of doubtful trade receivables	13	194	181	93.5	116	103	89.1
Net foreign exchange loss	-	470	470	100.0	560	560	100.0
Professional fees	328	380	52	13.8	443	115	26.1
Transport charges	328	409	81	19.7	365	37	9.9
Travelling expenses	397	263	(134)	(50.9)	420	22	5.4
Warehouse storage charges	1,321	1,488	167	11.3	1,387	66	4.7

##### H1 2023 vs H2 2022

H1 2023 operating expenses of S\$12.2 million was S\$1.3 million or 10.1% lower than H2 2022 (S\$13.5 million).

The decrease was mainly due to the absence of net foreign exchange loss of S\$0.6 million and lower employee compensation of S\$0.3 million, which was in line with H1 2023 profitability. Lower inventory purchases in H1 2023 resulted in a decrease in warehouse charges of S\$0.1 million. Lower professional fees and impairment of doubtful trade receivables of S\$0.1 million were also recorded.

##### H1 2023 vs H1 2022

Year-on-year, operating expenses decreased by S\$1.8 million or 13.3% as compared to S\$14.0 million for H1 2022.

Similarly, the absence of net foreign exchange loss of S\$0.5 million, lower employee compensation of S\$1.1 million, lower warehouse storage charges and lower impairment of doubtful trade receivables of S\$0.2 million were incurred.

The decrease was offset by higher depreciation of property, plant and equipment and travelling expenses of S\$0.1 million each.



## REVIEW OF PERFORMANCE (cont'd)

### Profitability Review (cont'd)

#### (e) Finance costs

Finance costs comprised the following:-

			Variance Fav/(Unfav)		Variance Fav/(Unfav)		
	H1 2023	H1 2022	H1 2023 vs H1 2022	H2 2022	H1 2023 vs H2 2022		
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Bills payables	473	223	(250)	(112.3)	535	62	11.7
Bank loans	397	154	(243)	(158.0)	221	(176)	(79.9)
Bank overdraft	54	46	(8)	(16.7)	60	6	10.7
Hire purchase	3	-	(3)	NM	-	(3)	NM
Leases for right-of-use assets	69	70	1	1.8	69	-	-
Total finance costs	996	493	(503)	(102.3)	885	(111)	(12.6)

#### H1 2023 vs H2 2022

#### H1 2023 vs H1 2022

Finance costs for H1 2023 increased by S\$0.1 million or 12.6% over H2 2022 mainly due to higher interest rates while the increase of S\$0.5 million or 102.3% over H1 2022 was largely due to higher interest rates and higher trade borrowings to finance higher purchases.

#### (f) Share of profit of associated companies

#### H1 2023 vs H2 2022

Our share of profit of associated companies increased by S\$220,000 or 55.8% as compared to H2 2022.

#### H1 2023 vs H1 2022

Vis-à-vis H1 2022, our share of profit of associated companies decreased by S\$108,000 or 14.9%.

#### (g) Profit before income tax and net profit after tax

#### H1 2023 vs H2 2022

As a result of lower gross profit of S\$2.4 million, lower operating expenses and finance costs of S\$1.2 million and higher share of profit of associated companies of S\$0.2 million, profit before tax and EBITDA decreased by S\$1.0 million or 45.0% and S\$0.8 million or 22.5% respectively as compared to H2 2022.

In line with lower profitability, income tax expense decreased by S\$0.3 million or 51.7% and correspondingly, net profit after tax decreased by \$0.7 million or 42.2% over H2 2022.

#### H1 2023 vs H1 2022

Similarly, profit before tax and EBITDA decreased by S\$4.3 million or 77.5% and S\$3.7 million or 55.8% respectively vis-à-vis H1 2022 mainly due to a decrease in gross profit and other income of S\$5.2 million and S\$0.3 million respectively offset by lower operating expenses and finance costs of S\$1.3 million.

With lower income tax expense of S\$0.8 million or 70.8%, net profit after tax were S\$3.5 million or 79.1% lower.

## REVIEW OF PERFORMANCE (cont'd)

### Profitability Review (cont'd)

#### (h) Total comprehensive income

Translation gains or losses arise from translation of foreign currency denominated asset and liabilities of subsidiaries and associated companies. Translation losses recorded for H1 2023 of S\$0.7 million was largely due to the depreciation of Malaysian Ringgit and Thai Baht.

#### H1 2023 vs H2 2022

Comprehensive income for H1 2023 decreased marginally by S\$24,000 or 8.6% due to lower translation losses of S\$0.7 million incurred in H1 2023 as compared to H2 2022 (S\$1.3 million).

#### H1 2023 vs H1 2022

As translation losses in for H1 2023 were marginally higher than H1 2022, comprehensive income for H1 2023 decreased by S\$3.6 million or 93.4% year-on-year.

### Financial Position Review

Financial Position Highlights	As at		Variance 30 June 2023 vs 31 December 2022 Fav/(Unfav)
	30 June 2023	31 December 2022	
Cash (S\$'mil)	12.4	11.9	0.5
Borrowings (S\$'mil)	30.1	36.4	6.3
Current ratio (times)	1.9	1.8	0.1
Gearing ratio (times)	0.53	0.62	0.09
Net gearing ratio (times)	0.31	0.42	0.11
Net assets per share attributable to equity holders of the Company (cents)	42.83	43.96	(1.13)
Inventory turnover (days)	195	158	(37)
Trade receivables turnover (days)	77	75	(2)
Trade payable turnover (days)	31	23	8

## REVIEW OF PERFORMANCE (cont'd)

### Financial Position Review (cont'd)

#### (i) Property, plant and equipment

The carrying value of property, plant and equipment was relatively unchanged at S\$15.4 million (31 December 2022: S\$15.4 million). Additional capital expenditure of S\$1.0 million for plant and machinery, motor vehicles, computers, fixture and fittings were offset by depreciation charge of S\$0.6 million and foreign exchange translation loss of S\$0.4 million for the current reporting period.

#### (j) Right-of-use assets

The carrying value of right-of-use assets decreased by S\$0.1 million from S\$2.6 million as at 31 December 2022 to S\$2.5 million as at 30 June 2023 mainly due to depreciation charge of S\$0.2 million in the current reporting period.

#### (k) Investment in associated companies

The carrying value of investment in associated companies remained relatively unchanged at S\$7.9 million (31 December 2022: S\$7.9 million). The positive contribution from operation in the current reporting period of S\$0.6 was offset by dividend return of S\$0.5 million and foreign exchange translation loss of S\$0.1 million.

#### (l) Trade and other receivables

Net trade receivables decreased by S\$3.9 million or 14.6% from S\$27.0 million as at 31 December 2022 to S\$23.1 million as at 30 June 2023. The decrease was because of lower sales in H1 2023 as compared to H2 2022. Turnover days increased by 2 days from 75 days for the full year of 2022 to 77 days for H1 2023.

#### (m) Inventories

Inventories decreased by S\$8.4 million or 17.2% from S\$49.3 million as at 31 December 2022 to S\$40.9 million as at 30 June 2023. The decrease in inventory was due to lower level of purchases and an increase in allowance for impairment. Inventory turnover days increased by 37 days from 158 days for the full year of 2022 to 195 days for H1 2023 as a result of lower sales in H1 2023.

#### (n) Other current assets

Other current assets increased by S\$0.4 million or 21.8% to S\$2.3 million as at 30 June 2023 primarily due to higher advance payments to vendors and prepayments of expenses.

#### (o) Financial assets and financial liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss were not significant as at 30 June 2023 and 31 December 2022.

Financial liabilities at fair value through profit or loss decreased by S\$59,000 to S\$49,000 as at 30 June 2023.

## REVIEW OF PERFORMANCE (cont'd)

### Financial Position Review (cont'd)

#### (p) Trade and other payables

Total trade payables decreased by S\$1.6 million or 23.4% from S\$6.8 million as at 31 December 2022 to S\$5.2 million as at 30 June 2023 as a result of lower purchases. Turnover days increased to 31 days as compared to 23 days for the full year of 2022.

Other payables in aggregate decreased by S\$2.2 million from S\$8.5 million as at 31 December 2022 to S\$6.3 million as at 30 June 2023 mainly due to lower accrued liabilities and lower advance payments from customers.

#### (q) Financial liabilities - lease liabilities

The carrying value of lease liabilities increased by S\$0.1 million to S\$2.9 million as at 30 June 2023. New hire purchase liabilities recognised of S\$0.2 million and accretion of interest of S\$0.1 million was offset by repayment of lease liabilities of S\$0.2 million in H1 2023.

#### (r) Borrowings

Total borrowings decreased by S\$6.3 million or 17.2% from S\$36.4 million as at 31 December 2022 to S\$30.1 million as at 30 June 2023. This decrease was mainly due to repayment of trade borrowings correspondingly to lower purchases.

In line with lower total borrowings, our gearing and net gearing ratio decreased from 0.62 times and 0.42 times as at 31 December 2022 to 0.53 times and 0.31 times as at 30 June 2023 respectively.

#### (s) Net asset per share attributable to equity holders of the Company

Net asset value per share decreased from 43.96 cents as at 31 December 2022 to 42.83 cents as at 30 June 2023 primarily due to total comprehensive income recorded for equity holders for the current reporting period of S\$0.1 million less dividend payment of S\$1.6 million.

### Cashflow Review

Positive cash flow from operating activities of S\$9.9 million was generated in H1 2023 as a result of a reduction in working capital requirements (ie lower trade receivables, lower purchases of inventory) corresponding to a decrease in sales. This was utilized to reduce borrowings of S\$6.0 million and to pay for capital expenditure of S\$0.8 million and dividends of S\$1.6 million.

Other major cash inflows consist of dividend received from associated company of S\$0.5 million.

As such, overall cash and cash equivalents increased by S\$0.8 million from S\$10.9 million as at 31 December 2022 to S\$11.7 million as at 30 June 2023.



## **RISK**

We believe the imminent risks to our financial performance for the second half of the financial year ending 31 December 2023 ("2H 2023") are as follows:

### **Inflationary pressure and Tightening of Monetary Policies**

In response to surging inflation, central banks have been aggressively tightening monetary policies which may dampen global economic growth. Inevitably, the impact will be felt in the chemical industry which may in turn have an adverse effect on our performance. Inflationary pressure has also led to increase in our overall business cost.

### **Energy prices**

Any escalation in oil prices may push freight rates and chemical prices higher which may in turn dampen demand for chemicals. Specialty chemicals, though not immune to oil price fluctuations, are less susceptible in comparison to bulk commodity chemicals due to the fact that they are more downstream product whose usage in the finished product is smaller.

### **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. Furthermore, some countries impose foreign exchange controls. These pose 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. Interest rates are likely to remain elevated in 2023 following surging inflation and aggressive interest rates hike by central banks which 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. Some customers may also face financial stress caused by the pandemic. Any significant payment default will negatively impact our financial performance.

### **Country risk**

Our products are sourced and sold globally. Our business may be affected if any of our markets suffer 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

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

### Economy

Global economies are experiencing sluggish growth lately on the back of tighter monetary policies and surging interest rates. IMF, in its July 2023 report, indicated that the global economic growth for 2023 is likely to be moderate as compared to 2022.

### Chemical Industry

Sluggish demand for chemicals since the later part of last year has not receded as companies continue their inventory destocking. Weaker industrial production has also persisted into 2023, posing challenges for the industry.

### Megachem

The global business environment is expected to remain challenging for the rest of the 2023 amid ongoing global geopolitical tensions, economic uncertainties, inflationary pressures and high interest rates.

Megachem continues to maintain a cautious stance as the uncertainties ahead weighing on the global economy pose downside risks to our business.

### Fire Incident

On 5 July 2023 Megachem informed shareholders via an SGX announcement that a fire broke out on the same day at 132 Pioneer Road where our warehouse is located. Our immediate priority is to minimise the disruption of product supply to our customers. About 60-70% of the Company's inventory is stored in third party warehouses which enables us to continue a major part of our business. As for the products which were destroyed during the fire, we are in the process of replenishing them so that our inventory level can return to optimal level.

The imminent financial impact on our 2H 2023 results are likely to be as follows:

- Sales revenue

While we are able to continue a major part of our business and there has been no cancellation of sales contracts, there will be delay in delivering products even as we took immediate steps to replenish our inventory. Inevitably there will be impact on our sales revenue.

- Higher expenses

Incidental to the fire, higher expense will arise from areas such as environmental impact control, waste disposal, demolishment cost, rental of delivery trucks and warehousing cost.

- Impairment of assets

There will be write off of those assets that were destroyed in the fire. This includes, among others, building, inventory, equipment and delivery trucks. We have in place comprehensive insurance coverage for the assets that were destroyed during the fire. However, our insurer is in the process of conducting investigation. Hence the value that will be compensated cannot be ascertained at this juncture.

As a result of the above, the fire incident is expected to have material negative impact on our financial results for 2H 2023 and FY23.



## DIVIDEND

### (a) Current financial year reported on

Any interim dividend declared for the financial period ended? No

In view of the occurrence of the fire incident and after considering the consequential additional working capital required, the board of directors resolved that no interim dividend will be declared in respect of the financial period ended 30 June 2023.

### (b) Corresponding period of the immediately preceding financial year

Any dividend declared for the immediately preceding financial period ended 30 June 2022? Yes

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

### (c) Date payable

Not applicable.

### (d) Record date

Not applicable.

### **Undertaking from directors and executive officers in pursuant to Rule 720(1) of the Listing Manual of Singapore Exchange Securities Trading Limited Section B: Rules of Catalyst (the "Catalist Rules")**

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 Catalyst Rules.

### **Disclosures on Acquisitions and Realisation of Shares pursuant to Rule 706A of the Catalyst Rules**

There were no acquisitions or realization of shares nor incorporation of any new subsidiary or associated company by the Company or any of the Group entities during H1 2023.



**Negative assurance confirmation on interim financial results pursuant to Rule 705(5) of the Catalist Rules**

I, Chew Choon Tee, being the Managing Director of Megachem Limited, 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 2023 to be false or misleading in any material aspects and the financial statements are in compliance with relevant accounting standards.

On behalf of the Board of Directors

Chew Choon Tee  
Managing Director

10 August 2023