



# MEGACHEM LIMITED

## Un-audited Financial Statements and Dividend Announcement

For The Full Year Ended  
31 December 2020

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

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

The contact person for the Sponsor is Ms Tay Sim Yee (Tel : (65) 6232 3210) at 1 Robinson Road #21-00 AIA Tower, Singapore 048542.

## TABLE OF CONTENTS

|   |    |
|---|----|
| CONSOLIDATED COMPREHENSIVE INCOME STATEMENT                             | 1  |
| BALANCE SHEETS  | 3  |
| CONSOLIDATED CASH FLOW STATEMENT  | 5  |
| STATEMENTS OF CHANGES IN EQUITY   | 6  |
| ACCOUNTING POLICIES   | 8  |
| EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY<br>HOLDERS OF THE COMPANY | 9  |
| NET ASSET VALUE PER SHARE   | 9  |
| REVIEW OF PERFORMANCE   | 10 |
| RISKS   | 20 |
| PROSPECTS   | 22 |
| DIVIDENDS   | 23 |
| SEGMENTAL RESULTS   | 24 |
| BREAKDOWN OF SALES  | 28 |
| TOTAL ANNUAL DIVIDENDS  | 28 |
| INTERESTED PERSON TRANSACTION   | 28 |
| DISCLOSURE PURSUANT TO RULE 704(10)                                     | 29 |
| UNDERTAKING PURSUANT TO RULE 720(1)                                     | 30 |
| DISCLOSURE PURSUANT TO RULE 706(A)                                      | 30 |

## UNAUDITED RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2020

The directors of Megachem Limited are pleased to advise the following unaudited results of the Group for the full year ended 31 December 2020.

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

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FULL YEAR ENDED 31 DECEMBER 2020

|  | Unaudited<br>For the full year<br>ended<br>31 December 2020<br>S\$ | Audited<br>For the full year<br>ended<br>31 December 2019<br>S\$ | Variance<br>Favourable/(Unfavourable)<br>S\$'000      % |          |
|--|--|--|---|----------|
| <b>Revenue</b>   | <b>105,238,674</b>   | 113,784,989  | (8,546)   | (7.5%)   |
| Cost of sales  | <u>(78,732,036)</u>  | <u>(85,604,642)</u>  | 6,873   | 8.0%     |
| <b>Gross profit</b>  | <b>26,506,638</b>  | 28,180,347   | (1,674)   | (5.9%)   |
| Other income   | 1,939,416  | 586,166  | 1,353   | 230.9%   |
| Distribution costs   | (14,917,984)   | (15,477,071)   | 559   | 3.6%     |
| Administrative expenses  | (5,674,365)  | (5,543,061)  | (131)   | (2.4%)   |
| Other operating expenses   | (2,783,285)  | (2,873,862)  | 91  | 3.2%     |
| Finance costs  | (726,344)  | (1,016,066)  | 290   | 28.5%    |
| Share of profit of associated companies  | 1,593,846  | 1,110,220  | 484   | 43.6%    |
| <b>Profit before income tax</b>  | <b>5,937,922</b>   | 4,966,673  | 971   | 19.6%    |
| Income tax expense   | <u>(680,099)</u>   | <u>(984,645)</u>   | 305   | 30.9%    |
| <b>Net profit after tax</b>  | <b>5,257,823</b>   | 3,982,028  | 1,276   | 32.0%    |
| <b>Other comprehensive income:</b>   |  |  |   |          |
| Exchange differences on translating foreign operations, net of tax                                     | <u>(340,317)</u>   | 347,223  | (688)   | (198.0%) |
| <b>Total comprehensive income</b>  | <b>4,917,506</b>   | 4,329,251  | 588   | 13.6%    |
| Net profit attributable to:  |  |  |   |          |
| Equity holders of the Company  | 5,125,689  | 3,843,641  | 1,282   | 33.4%    |
| Non-controlling interests  | <u>132,134</u>   | <u>138,387</u>   | (6)   | (4.5%)   |
| <b>Net profit</b>  | <b>5,257,823</b>   | 3,982,028  | 1,276   | 32.0%    |
| Total comprehensive income attributable to:  |  |  |   |          |
| Equity holders of the Company  | 4,794,227  | 4,210,604  | 584   | 13.9%    |
| Non-controlling interests  | <u>123,279</u>   | <u>118,647</u>   | 4   | 3.9%     |
| <b>Total comprehensive income</b>  | <b>4,917,506</b>   | 4,329,251  | 588   | 13.6%    |
| Earnings per share of profit attributable to equity holders of the Company during the financial period |  |  |   |          |
| - basic and diluted  | <u>3.85 cents</u>  | <u>2.88 cents</u>  | 0.97 cents  | 33.7%    |

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

|   | Unaudited<br>For the full year<br>ended<br>31 December 2020<br>S\$ | Audited<br>For the full year<br>ended<br>31 December 2019<br>S\$ |
|---|--|--|
| <u>Other income</u>   |  |  |
| Bad debt recovered  | 364,448  | 352,111  |
| Change in fair value of financial assets at<br>fair value through profit or loss      | 131,791  | 4,919  |
| Dividend income   | 4,780  | 4,922  |
| Gain on disposal of property,<br>plant and equipment                                  | 20,490   | 6,507  |
| Grant income  | 1,157,688  | 16,739   |
| Interest income from banks  | 191,582  | 184,410  |
| Net foreign exchange gain   | 52,128   | -  |
| Rental income   | 16,509   | 16,558   |
|   | <b>1,939,416</b>   | <b>586,166</b>   |
| Change in fair value of financial assets at<br>fair value through profit or loss      |  |  |
| - forward foreign exchange contracts  | 4,291  | 4,919  |
| - listed equity security  | 127,500  | (117,500)  |
| Change in fair value of financial liabilities<br>at fair value through profit or loss |  |  |
| - forward foreign exchange contracts  | (163,593)  | (50,010)   |
| Depreciation and amortisation   | (1,242,092)  | (1,230,048)  |
| Finance costs   | (726,344)  | (1,016,066)  |
| Impairment of trade receivables   | (73,000)   | (96,350)   |
| Net foreign exchange gain/(loss)  | 52,128   | (106,408)  |
| Write down of inventory   | (891,216)  | (401,725)  |
| Adjustment for over provision for tax<br>in respect of prior reporting years          | 81,214   | 77,509   |
| Gain on disposal of property, plant<br>and equipment                                  | 20,490   | 6,507  |

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

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020**

|   | <u>Group</u>       |                    | <u>Company</u>     |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | <u>Unaudited</u>   | <u>Audited</u>     | <u>Unaudited</u>   | <u>Audited</u>     |
|   | <u>31 December</u> | <u>31 December</u> | <u>31 December</u> | <u>31 December</u> |
|   | <u>2020</u>        | <u>2019</u>        | <u>2020</u>        | <u>2019</u>        |
|   | <u>S\$</u>         | <u>S\$</u>         | <u>S\$</u>         | <u>S\$</u>         |
| <b>ASSETS</b>   |                    |                    |                    |                    |
| <b>Non-current assets</b>   |                    |                    |                    |                    |
| Property, plant and equipment   | 9,847,512          | 10,288,945         | 1,291,700          | 1,345,621          |
| Construction-in-progress  | 2,803,509          | -                  | -                  | -                  |
| Right-of-use assets   | 2,689,043          | 2,803,351          | 1,102,035          | 1,135,430          |
| Investment property   | 72,921             | 75,886             | -                  | -                  |
| Investments in subsidiaries   | -                  | -                  | 5,571,772          | 5,871,772          |
| Investments in associated companies                                       | 7,613,201          | 6,609,815          | 2,798,756          | 2,798,756          |
| Transferable club memberships   | 27,001             | 26,959             | 4,001              | 4,001              |
| Other receivables   | -                  | -                  | 1,824,630          | 808,080            |
| Deferred tax assets   | 561,303            | 442,306            | -                  | -                  |
|   | <u>23,614,490</u>  | <u>20,247,262</u>  | <u>12,592,894</u>  | <u>11,963,660</u>  |
| <b>Current assets</b>   |                    |                    |                    |                    |
| Inventories   | 24,374,512         | 25,419,242         | 10,698,800         | 9,738,588          |
| Trade and other receivables   | 24,235,577         | 22,945,824         | 16,252,221         | 14,704,424         |
| Financial assets at fair value through profit or loss                     | 354,338            | 227,490            | 350,000            | 222,500            |
| Other current assets  | 2,516,114          | 2,444,336          | 486,181            | 334,383            |
| Cash and bank balances  | 16,216,839         | 14,880,406         | 2,042,637          | 1,934,510          |
|   | <u>67,697,380</u>  | <u>65,917,298</u>  | <u>29,829,839</u>  | <u>26,934,405</u>  |
| <b>Total assets</b>   | <u>91,311,870</u>  | <u>86,164,560</u>  | <u>42,422,733</u>  | <u>38,898,065</u>  |
| <b>EQUITY AND LIABILITIES</b>   |                    |                    |                    |                    |
| <b>Capital and reserves attributable to equity holders of the Company</b> |                    |                    |                    |                    |
| Share capital   | 15,892,028         | 15,892,028         | 15,892,028         | 15,892,028         |
| Other reserves  | (4,183,679)        | (3,852,217)        | -                  | -                  |
| Retained earnings   | 40,722,640         | 37,596,451         | 6,353,439          | 7,029,968          |
|   | <u>52,430,989</u>  | <u>49,636,262</u>  | <u>22,245,467</u>  | <u>22,921,996</u>  |
| Non-controlling interests   | 2,856,152          | 2,809,727          | -                  | -                  |
| <b>Total equity</b>   | <u>55,287,141</u>  | <u>52,445,989</u>  | <u>22,245,467</u>  | <u>22,921,996</u>  |
| <b>Non-current liabilities</b>  |                    |                    |                    |                    |
| Financial liabilities - lease liabilities                                 | 2,562,632          | 2,572,232          | 1,128,956          | 1,142,914          |
| Borrowings  | 2,555,154          | 864,534            | 1,875,000          | -                  |
|   | <u>5,117,786</u>   | <u>3,436,766</u>   | <u>3,003,956</u>   | <u>1,142,914</u>   |
| <b>Current liabilities</b>  |                    |                    |                    |                    |
| Current income tax liabilities  | 203,350            | 241,614            | 131,764            | 91,000             |
| Trade and other payables  | 13,532,216         | 12,142,014         | 6,478,194          | 5,554,639          |
| Financial liabilities - lease liabilities                                 | 214,651            | 282,727            | 13,958             | 13,279             |
| Borrowings  | 16,790,215         | 17,564,633         | 10,537,042         | 9,174,237          |
| Financial liabilities at fair value through profit or loss                | 166,511            | 50,817             | 12,352             | -                  |
|   | <u>30,906,943</u>  | <u>30,281,805</u>  | <u>17,173,310</u>  | <u>14,833,155</u>  |
| <b>Total liabilities</b>  | <u>36,024,729</u>  | <u>33,718,571</u>  | <u>20,177,266</u>  | <u>15,976,069</u>  |
| <b>Total equity and liabilities</b>                                       | <u>91,311,870</u>  | <u>86,164,560</u>  | <u>42,422,733</u>  | <u>38,898,065</u>  |

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

Amount repayable in one year or less, or on demand

| As at 31 December 2020 |               | As at 31 December 2019 |               |
|------------------------|---------------|------------------------|---------------|
| Secured                | Unsecured     | Secured                | Unsecured     |
| S\$4,322,241           | S\$12,467,974 | S\$5,476,449           | S\$12,088,184 |

Amount repayable after one year

| As at 31 December 2020 |              | As at 31 December 2019 |           |
|------------------------|--------------|------------------------|-----------|
| Secured                | Unsecured    | Secured                | Unsecured |
| S\$680,154             | S\$1,875,000 | S\$864,534             | -         |

## **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; and
- ii. mortgage over industrial land of a subsidiary at Seri Alam Industrial Park, Sungai Kapar Indah, Klang, Selangor, Malaysia.

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

**CONSOLIDATED CASH FLOW STATEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2020**

|   | Unaudited<br>For the full year<br>ended<br>31 December 2020<br>S\$ | Audited<br>For the full year<br>ended<br>31 December 2019<br>S\$ |
|---|--|--|
| <b>Cash flows from operating activities</b>   |  |  |
| Net profit  | 5,257,823  | 3,982,028  |
| Adjustments for:  |  |  |
| Depreciation of property, plant and equipment and investment property               | 887,210  | 864,717  |
| Depreciation of right-of-use assets   | 354,882  | 365,331  |
| Dividend income   | (4,780)  | (4,922)  |
| Gain on disposal of property, plant and equipment                                   | (20,490)   | (6,507)  |
| Share of profit of associated companies   | (1,593,846)  | (1,110,220)  |
| Income tax expense  | 680,099  | 984,645  |
| Interest income from banks  | (191,582)  | (184,410)  |
| Finance costs   | 726,344  | 1,016,066  |
| Net changes in fair value of financial assets at fair value through profit or loss  | (131,791)  | 112,581  |
| Changes in fair value of financial liabilities at fair value through profit or loss | 163,593  | 50,010   |
| Operating cash flow before working capital changes                                  | 6,127,462  | 6,069,319  |
| Change in operating assets and liabilities  |  |  |
| Trade and other receivables and other current assets                                | (1,244,948)  | 580,325  |
| Inventories   | 1,062,116  | 543,423  |
| Trade and other payables  | 800,061  | 367,946  |
| Foreign exchange adjustment differences   | (54,547)   | (58,451)   |
| Cash generated from operations  | 6,690,144  | 7,502,562  |
| Income tax paid   | (760,527)  | (1,076,160)  |
| Interest received   | 199,951  | 181,585  |
| <b>Net cash from operating activities</b>   | <b>6,129,568</b>   | <b>6,607,987</b>   |
| <b>Cash flows from investing activities</b>   |  |  |
| Dividends received from associated company and listed equity                        | 447,785  | 701,648  |
| Purchase of property, plant and equipment   | (442,057)  | (459,498)  |
| Payments for construction-in-progress   | (2,380,282)  | -  |
| Proceeds from sale of property, plant and equipment                                 | 21,323   | 16,730   |
| <b>Net cash (used in)/from investing activities</b>                                 | <b>(2,353,231)</b>   | <b>258,880</b>   |
| <b>Cash flows from financing activities</b>   |  |  |
| Dividends paid  | (1,999,500)  | (1,732,900)  |
| Dividends paid by subsidiary to non-controlling shareholders                        | (76,854)   | (90,046)   |
| Proceeds from/(repayments of) long term bank loans                                  | 1,554,332  | (818,276)  |
| Proceeds from/(repayments of) bills payables  | 1,395,292  | (2,085,168)  |
| (Repayment of)/proceeds from short term bank loans                                  | (2,546,109)  | 1,917,208  |
| Lease liabilities paid  | (456,951)  | (456,804)  |
| Interest paid   | (643,761)  | (865,539)  |
| <b>Net cash used in financing activities</b>  | <b>(2,773,551)</b>   | <b>(4,131,525)</b>   |
| <b>Net increase in cash and cash equivalents</b>                                    | <b>1,002,786</b>   | <b>2,735,342</b>   |
| Cash and cash equivalents, statement of cash flow, beginning balance                | 14,880,406   | 12,199,484   |
| Effects of exchange rate changes on cash and cash equivalents                       | 30,600   | (54,420)   |
| <b>Cash and cash equivalents, statement of cash flow, ending balance</b>            | <b>15,913,792</b>  | <b>14,880,406</b>  |
| Cash and cash equivalents comprised the followings:                                 |  |  |
| Cash and bank balances  | 16,216,839   | 14,880,406   |
| Less: bank overdraft  | (303,047)  | -  |
|   | <b>15,913,792</b>  | <b>14,880,406</b>  |

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

**STATEMENT OF CHANGES IN EQUITY FOR THE FULL YEAR ENDED 31 DECEMBER 2020**

|   |  | Attributable to equity holders of the Company |                            |                         |                          |                             | Non-controlling interests<br>S\$ |
|---|--|---|----------------------------|-------------------------|--------------------------|-----------------------------|----------------------------------|
|   |  | Total equity<br>S\$                           | Parent<br>Sub-total<br>S\$ | Share<br>capital<br>S\$ | Other<br>reserves<br>S\$ | Retained<br>earnings<br>S\$ |                                  |
| <u>The Group</u>                                  |  |   |                            |                         |                          |                             |                                  |
| Current year :                                    |  |   |                            |                         |                          |                             |                                  |
| <b>Opening balance at 1 January 2020</b>          |  | 52,445,989                                    | 49,636,262                 | 15,892,028              | (3,852,217)              | 37,596,451                  | 2,809,727                        |
| Total comprehensive income for the reporting year |  | 4,917,506                                     | 4,794,227                  | -                       | (331,462)                | 5,125,689                   | 123,279                          |
| Final dividend relating to 2019 paid              |  | (1,333,000)                                   | (1,333,000)                | -                       | -                        | (1,333,000)                 | -                                |
| Interim dividend relating to 2020 paid            |  | (666,500)                                     | (666,500)                  | -                       | -                        | (666,500)                   | -                                |
| Final dividends paid to non-controlling interests |  | (76,854)                                      | -                          | -                       | -                        | -                           | (76,854)                         |
| <b>Closing balance at 31 December 2020</b>        |  | <b>55,287,141</b>                             | <b>52,430,989</b>          | <b>15,892,028</b>       | <b>(4,183,679)</b>       | <b>40,722,640</b>           | <b>2,856,152</b>                 |
| Previous year :                                   |  |   |                            |                         |                          |                             |                                  |
| <b>Opening balance at 1 January 2019</b>          |  | 49,939,684                                    | 47,158,558                 | 15,892,028              | (4,219,180)              | 35,485,710                  | 2,781,126                        |
| Total comprehensive income for the reporting year |  | 4,329,251                                     | 4,210,604                  | -                       | 366,963                  | 3,843,641                   | 118,647                          |
| Final dividend relating to 2018 paid              |  | (1,066,400)                                   | (1,066,400)                | -                       | -                        | (1,066,400)                 | -                                |
| Interim dividend relating to 2019 paid            |  | (666,500)                                     | (666,500)                  | -                       | -                        | (666,500)                   | -                                |
| Final dividends paid to non-controlling interests |  | (90,046)                                      | -                          | -                       | -                        | -                           | (90,046)                         |
| <b>Closing balance at 31 December 2019</b>        |  | <b>52,445,989</b>                             | <b>49,636,262</b>          | <b>15,892,028</b>       | <b>(3,852,217)</b>       | <b>37,596,451</b>           | <b>2,809,727</b>                 |



| <u>The Company</u>                                   | Total equity<br>S\$ | Share<br>capital<br>S\$ | Retained<br>earnings<br>S\$ |
|--|---------------------|-------------------------|-----------------------------|
| Current year :                                       |                     |                         |                             |
| <b>Opening balance at 1 January 2020</b>             | 22,921,996          | 15,892,028              | 7,029,968                   |
| Total comprehensive income<br>for the reporting year | 1,322,971           | -                       | 1,322,971                   |
| Final dividend relating to<br>2019 paid              | (1,333,000)         |                         | (1,333,000)                 |
| Interim dividend relating to<br>2020 paid            | (666,500)           |                         | (666,500)                   |
| <b>Closing balance at 31 December 2020</b>           | <u>22,245,467</u>   | <u>15,892,028</u>       | <u>6,353,439</u>            |
| Previous year :                                      |                     |                         |                             |
| <b>Opening balance at 1 January 2019</b>             | 23,888,234          | 15,892,028              | 7,996,206                   |
| Total comprehensive income<br>for the reporting year | 766,662             | -                       | 766,662                     |
| Final dividend relating to<br>2018 paid              | (1,066,400)         | -                       | (1,066,400)                 |
| Interim dividend relating to<br>2019 paid            | (666,500)           | -                       | (666,500)                   |
| <b>Closing balance at 31 December 2019</b>           | <u>22,921,996</u>   | <u>15,892,028</u>       | <u>7,029,968</u>            |

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

There have been no changes in the Company's issued share capital since the end of the previous financial period reported on being 30 June 2020.

There were no unissued shares in the capital of the Company reserved for the exercise of any option nor were there any treasury shares as at the end of the financial years ended 31 December 2020 and 31 December 2019.

There were no outstanding convertibles and subsidiary holdings as at the end of the financial years ended 31 December 2020 and 31 December 2019.

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

The total number of issued ordinary shares, excluding treasury shares, as at the end of the financial years ended 31 December 2020 and 31 December 2019 was 133,300,000 shares.

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

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

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

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

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

The figures have not been audited or reviewed.

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

Not applicable.

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

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

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

Not applicable. The Group's latest audited financial statements for the financial year ended 31 December 2019 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as those of the audited financial statements for the financial year ended 31 December 2019.

**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 2020, the Group adopted the new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") and the related Interpretations to SFRS(I)s ("SFRS(I) INT") that are relevant to its operations and mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective SFRS(I) and SFRS(I) INT.

The adoption of the new and revised SFRS(I) has no material impact on the Group's financial statements.

**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<br>full year ended<br>31 December<br>2020 | For the<br>full year ended<br>31 December<br>2019 |
|--|---|---|
| Earnings per ordinary shares (in cents)                                    |   |   |
| a) Based on weighted average number of ordinary shares on issue            | 3.85  | 2.88  |
| b) On a fully diluted basis  | 3.85  | 2.88  |
| Weighted average number of ordinary shares in issue for earnings per share | 133,300,000                                       | 133,300,000                                       |

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

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

|  | <u>Group</u>        |                     | <u>Company</u>      |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | 31 December<br>2020 | 31 December<br>2019 | 31 December<br>2020 | 31 December<br>2019 |
| Net asset value per ordinary share based on issued share capital (cents) | 39.33               | 37.24               | 16.69               | 17.20               |
| No of ordinary shares used in calculation                                | 133,300,000         | 133,300,000         | 133,300,000         | 133,300,000         |

## 8. REVIEW OF PERFORMANCE

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

| Profitability Highlights   | H2 2019 | H1 2020 | H2 2020      | Variance<br>H2 2020 vs H1 2020 |         | Variance<br>H2 2020 vs H2 2019 |        |
|--|---------|---------|--------------|--------------------------------|---------|--------------------------------|--------|
|  |         |         |              | Fav/(Unfav)                    | %       | Fav/(Unfav)                    | %      |
| Sales (S\$'mil)  | 58.0    | 52.0    | <b>53.2</b>  | 1.2                            | 2.3%    | (4.8)                          | (8.3%) |
| Gross profit (S\$'mil)   | 14.1    | 13.2    | <b>13.3</b>  | 0.1                            | 0.8%    | (0.8)                          | (5.7%) |
| Gross profit margin  | 24.3%   | 25.4%   | <b>25.0%</b> | (0.4% pts)                     | na      | 0.7% pts                       | na     |
| Total operating expenses and finance costs (S\$'mil)                         | 12.7    | 11.9    | <b>12.2</b>  | (0.3)                          | (2.9%)  | 0.5                            | 3.8%   |
| Other income (S\$'000)   | 363     | 1,051   | <b>888</b>   | (163)                          | (15.5%) | 525                            | 144.7% |
| Share of profit of associated companies (S\$'000)                            | 634     | 886     | <b>708</b>   | (178)                          | (20.0%) | 74                             | 11.6%  |
| Profit before income tax (S\$'mil)   | 2.4     | 3.3     | <b>2.7</b>   | (0.6)                          | (17.7%) | 0.3                            | 11.7%  |
| Net profit (S\$'mil)   | 2.0     | 2.8     | <b>2.4</b>   | (0.4)                          | (13.5%) | 0.5                            | 24.0%  |
| Net profit margin  | 3.4%    | 5.4%    | <b>4.6%</b>  | (0.8% pts)                     | na      | 1.2% pts                       | na     |
| EBITDA (S\$'mil)   | 3.4     | 4.2     | <b>3.5</b>   | (0.7)                          | (16.8%) | 0.1                            | 1.9%   |
| EBITDA margin  | 5.9%    | 8.1%    | <b>6.6%</b>  | (1.5% pts)                     | na      | 0.7% pts                       | na     |
| Earnings per share attributable to the equity holders of the Company (cents) | 1.44    | 2.03    | <b>1.82</b>  | (0.21)                         | (10.3%) | 0.38                           | 26.4%  |
| Annualised return on equity (ROE)  | 7.7%    | 10.6%   | <b>9.3%</b>  | (1.3% pts)                     | na      | 1.6% pts                       | na     |

| Profitability Highlights   | FY 2019 | FY 2020      | Variance<br>FY 2020 vs FY 2019 |        |
|--|---------|--------------|--------------------------------|--------|
|  |         |              | Fav/(Unfav)                    | %      |
| Sales (S\$'mil)  | 113.8   | <b>105.2</b> | (8.5)                          | (7.5%) |
| Gross profit (S\$'mil)   | 28.2    | <b>26.5</b>  | (1.7)                          | (5.9%) |
| Gross profit margin  | 24.8%   | <b>25.2%</b> | 0.4% pts                       | na     |
| Total operating expenses and finance cost (S\$'mil)                          | 24.9    | <b>24.1</b>  | 0.8                            | 3.2%   |
| Other income (S\$'000)   | 586     | <b>1,939</b> | 1,353                          | 230.9% |
| Share of profit of associated companies (S\$'000)                            | 1,110   | <b>1,594</b> | 484                            | 43.6%  |
| Profit before income tax (S\$'mil)   | 5.0     | <b>5.9</b>   | 1.0                            | 19.6%  |
| Net profit after tax (S\$'mil)   | 4.0     | <b>5.3</b>   | 1.3                            | 32.0%  |
| Net profit after tax margin  | 3.5%    | <b>5.0%</b>  | 1.5% pts                       | na     |
| EBITDA (S\$'mil)   | 7.0     | <b>7.7</b>   | 0.7                            | 9.8%   |
| EBITDA margin  | 6.2%    | <b>7.3%</b>  | 1.1% pts                       | na     |
| Earnings per share attributable to the equity holders of the Company (cents) | 2.88    | <b>3.85</b>  | 0.97                           | 33.7%  |
| Annualised return on equity (ROE)  | 7.7%    | <b>9.8%</b>  | 2.1% pts                       | na     |

na : not applicable

## 8(a) PROFITABILITY ANALYSIS

### 8(a)(i) Sales

|             | H2 2019 | H1 2020 | H2 2020       | Variance Fav/(Unfav) |        | Variance Fav/(Unfav) |        |
|-------------|---------|---------|---------------|----------------------|--------|----------------------|--------|
|             | S\$'000 | S\$'000 | S\$'000       | H2 2020 vs H1 2020   |        | H2 2020 vs H2 2019   |        |
|             |         |         |               | S\$'000              | %      | S\$'000              | %      |
| ASEAN       | 37,002  | 33,161  | <b>32,352</b> | (809)                | (2.4)  | (4,650)              | (12.6) |
| North Asia  | 8,757   | 5,655   | <b>7,107</b>  | 1,452                | 25.7   | (1,650)              | (18.8) |
| Europe      | 4,427   | 5,044   | <b>4,534</b>  | (510)                | (10.1) | 107                  | 2.4    |
| Middle East | 3,135   | 3,456   | <b>3,030</b>  | (426)                | (12.3) | (105)                | (3.4)  |
| South Asia  | 2,255   | 1,993   | <b>2,960</b>  | 967                  | 48.5   | 705                  | 31.3   |
| Australia   | 2,274   | 2,309   | <b>3,072</b>  | 763                  | 33.1   | 798                  | 35.1   |
| America     | 145     | 387     | <b>140</b>    | (247)                | (63.7) | (5)                  | (3.3)  |
| Africa      | 12      | 12      | <b>27</b>     | 15                   | 118.6  | 15                   | 122.9  |
| Total       | 58,007  | 52,017  | <b>53,222</b> | 1,205                | 2.3    | (4,785)              | (8.3)  |

|             | FY 2019 |       | FY 2020        |              | Variance Fav/(Unfav) |        |
|-------------|---------|-------|----------------|--------------|----------------------|--------|
|             | S\$'000 | %     | S\$'000        | %            | S\$'000              | %      |
| ASEAN       | 73,563  | 64.7  | <b>65,513</b>  | <b>62.3</b>  | (8,050)              | (10.9) |
| North Asia  | 15,552  | 13.7  | <b>12,762</b>  | <b>12.1</b>  | (2,790)              | (17.9) |
| Europe      | 9,323   | 8.2   | <b>9,578</b>   | <b>9.1</b>   | 255                  | 2.7    |
| Middle East | 6,502   | 5.7   | <b>6,486</b>   | <b>6.2</b>   | (16)                 | (0.2)  |
| Australia   | 4,044   | 3.5   | <b>5,381</b>   | <b>5.1</b>   | 1,337                | 33.1   |
| South Asia  | 4,535   | 4     | <b>4,953</b>   | <b>4.7</b>   | 418                  | 9.2    |
| America     | 252     | 0.2   | <b>527</b>     | <b>0.5</b>   | 275                  | 109.6  |
| Africa      | 14      | -     | <b>39</b>      | -            | 25                   | 177.2  |
| Total       | 113,785 | 100.0 | <b>105,239</b> | <b>100.0</b> | (8,546)              | (7.5)  |

### COVID-19 IMPACT : YEAR 2020

2020 was an unprecedented year marked by COVID-19 pandemic. Globally countries introduced lockdowns and implemented border closures, leading to supply disruption and collapse in demand for certain goods and services. The world sank into a severe economic recession

Chemicals are used in a wide array of industries such as automotive, coatings, construction and electronics. The chemical industry is inextricably linked to global economic activities. The adverse impact of the COVID pandemic on the chemical industry was therefore inevitable.

Even though chemical industry is considered essential industry, lockdown on non-essential industries and supply disruption for a large part of 2020 hampered our business across all our markets.

The COVID-19 impact on our business has to some extent been mitigated by our diversified market segments. While sales to construction, coatings and metal finishing sectors were affected, other segments such as the electronics and healthcare sectors benefited from increase in demand for computers, semiconductors and cleaning products.

Consequently our sales fell by 7.5% and our net profit before tax (excluding grant income) was marginally lower by 3.4% whereas our net profit after tax (excluding grant income) was higher by 3.9% year-on-year.

### Geographic Segment Sales Analysis

#### H2 2020 vs H1 2020

Sales to North Asia and South Asia markets rebounded strongly by S\$1.5 million or 25.7% and S\$1.0 million or 48.5% respectively in the second half of 2020 ("H2 2020") over the first half of 2020 ("H1 2020").

On the back of a wider customer base, sales to Australia market increased by S\$0.8 million or 33.1% as compared to H1 2020.

On the other hand, sales to Europe and Middle East markets decreased by S\$0.5 million or 10.1% and S\$0.4 million or 12.3% respectively after an increase in H1 2020 while sales to ASEAN recorded a consecutive fall in H2 2020 by S\$0.8 million or 2.4%.

This resulted in an overall increase of S\$1.2 million or 2.3% in total sales to S\$53.2 million in H2 2020.

#### H2 2020 vs H2 2019

As compared to H2 2019, total sales decreased by S\$4.8 million or 8.3% and this was mainly due to lower sales to ASEAN and North Asia which fell by S\$4.7 million or 12.6% and S\$1.7 million or 18.8% respectively. Sales to Middle East was lower by a small magnitude of S\$0.1 million.

The fall was partly cushioned by higher sales to Australia and South Asia markets of S\$0.8 million or 35.1% and S\$0.7 million or 31.3% respectively. Sales to Europe was marginally higher by S\$0.1 million.

#### FY 2020 vs FY 2019

Sales for the full year of 2020 ("FY 2020") decreased by S\$8.5 million or 7.5% to S\$105.2 million as compared to full year of 2019 ("FY 2019").

The decline arose mainly from ASEAN and North Asia markets, which fell by S\$8.1 million or 10.9% and S\$2.8 million or 17.9% respectively.

While sales to Middle East market was flat, the other markets bucked the trend led by Australia which registered an increase in sales of S\$1.3 million or 33.1%. Sales to Europe, South Asia and America markets recorded growth in the range of S\$0.3 million to S\$0.4 million.

#### **Business Activity Segment Sales Breakdown**

|                        | H2 2019 | H1 2020 | H2 2020       | Variance Fav/(Unfav) |      | Variance Fav/(Unfav) |       |
|------------------------|---------|---------|---------------|----------------------|------|----------------------|-------|
|                        | S\$'000 | S\$'000 | S\$'000       | H2 2020 vs H1 2020   | %    | H2 2020 vs H2 2019   | %     |
| Distribution activity  | 55,935  | 50,454  | <b>51,314</b> | 860                  | 1.7  | (4,621)              | (8.3) |
| Manufacturing activity | 2,072   | 1,563   | <b>1,908</b>  | 345                  | 22.0 | (164)                | (7.9) |
| Total Sales            | 58,007  | 52,017  | <b>53,222</b> | 1,205                | 2.3  | (4,785)              | (8.3) |

|                        | FY 2019 | FY 2020        | Variance Fav/(Unfav) |       |
|------------------------|---------|----------------|----------------------|-------|
|                        | S\$'000 | S\$'000        | S\$'000              | %     |
| Distribution activity  | 110,038 | <b>101,768</b> | (8,270)              | (7.5) |
| Manufacturing activity | 3,747   | <b>3,471</b>   | (276)                | (7.4) |
| Total Sales            | 113,785 | <b>105,239</b> | (8,546)              | (7.5) |

#### H2 2020 vs H1 2020

#### H2 2020 vs H2 2019

Sales from both segments recovered in H2 2020 as compared to H1 2020 but were lower vis-à-vis H2 2019.

Sales from distribution segment increased marginally by S\$0.9 million or 1.7% in H2 2020 over H1 2020 but decreased by S\$4.6 million or 8.3% as compared to H2 2019.

Sales from the contract manufacturing segment increased by S\$0.3 million or 22.0% in H2 2020 over H1 2020 but decreased by S\$0.2 million or 7.9% vis-à-vis H2 2019.

#### FY 2020 vs FY 2019

Year-on-year, sales from distribution segment decreased by S\$8.3 million or 7.5% while sales from manufacturing segment declined by S\$0.3 million or 7.4%.

#### **8(a)(ii) Gross profit**

##### H2 2020 vs H1 2020

Gross profit margin for H2 2020 (25.0%) was relatively unchanged as compared to H1 2020 (25.4%) and gross profit increased marginally by S\$0.1 million or 0.8% because of higher sales achieved in H2 2020 vis-à-vis H1 2020.

##### H2 2020 vs H2 2019

Although gross profit margin for H2 2020 increased by 0.7%-point as compared to H2 2019, gross profit margin decreased by S\$0.8 million or 5.7% as a result of lower sales achieved in H2 2020 vis-à-vis H2 2019.

##### FY 2020 vs FY 2019

Gross profit margin in most countries were higher in FY 2020. However, we also recorded higher inventory write down of S\$891,000 in the current year as compared to S\$402,000 last year. As such, gross profit margin for FY 2020 (25.2%) was relatively unchanged as compared to FY 2019 (24.8%). Coupled with lower sales in FY 2020, gross profit decreased by S\$1.7 million or 5.9% vis-à-vis FY 2019.

#### **8(a)(iii) Other income**

|  | H2 2019 | H1 2020 | H2 2020 | Variance Fav/(Unfav) |         | Variance Fav/(Unfav) |       |
|--|---------|---------|---------|----------------------|---------|----------------------|-------|
|  | S\$'000 | S\$'000 | S\$'000 | H2 2020 vs H1 2020   |         | H2 2020 vs H2 2019   |       |
|  |         |         |         | S\$'000              | %       | S\$'000              | %     |
| Bad debt recovered   | 278     | 100     | 265     | 165                  | 165.5   | (13)                 | (4.8) |
| Change in fair value of financial assets<br>at fair value through profit or loss |         |         |         |                      |         |                      |       |
| - forward foreign exchange contracts   | (23)    | 28      | (23)    | (51)                 | (184.5) | -                    | -     |
| - listed equity security   | -       | 27      | 100     | 73                   | 263.6   | 100                  | NM    |
| Grant income   | -       | 635     | 522     | (113)                | (17.8)  | 522                  | NM    |
| Gain on disposal of plant and<br>equipment                                       | 2       | 17      | 3       | (14)                 | (82.2)  | 1                    | 82.2  |
| Interest income  | 96      | 96      | 95      | (1)                  | (1.1)   | (1)                  | (0.9) |
| Net foreign exchange gain  | -       | 134     | (82)    | (216)                | (161.1) | (82)                 | NM    |

|  | FY 2019<br>S\$'000 | FY 2020<br>S\$'000 | Variance Fav/(Unfav)<br>S\$'000 | %     |
|--|--------------------|--------------------|---------------------------------|-------|
| Bad debt recovered   | 352                | <b>364</b>         | 12                              | 3.5   |
| Change in fair value of financial assets<br>at fair value through profit or loss |                    |                    |                                 |       |
| - listed equity security   | -                  | <b>128</b>         | 128                             | NM    |
| Grant income   | 17                 | <b>1,158</b>       | 1,141                           | NM    |
| Gain on disposal of plant and<br>equipment                                       | 7                  | <b>20</b>          | 13                              | 214.9 |
| Interest income  | 184                | <b>192</b>         | 8                               | 3.9   |
| Net foreign exchange gain  | -                  | <b>52</b>          | 52                              | NM    |

NM : not meaningful

#### H2 2020 vs H1 2020

Other income in H2 2020 decreased by S\$163,000 or 15.5% mainly due to lower grant income recorded of S\$113,000 and the reduction in net foreign exchange gain and fair value gain from forward contracts totalled S\$105,000 in H2 2020 from the total gains of S\$162,000 recorded in H1 2020.

The decrease was partly offset by higher bad debt recovered of S\$165,000 and higher fair value gain from listed equity security of S\$73,000.

#### H2 2020 vs H2 2019

As compared to H2 2019, other income increased by S\$0.5 million or 144.7%. This was mainly due to higher grant income of S\$0.5 million and fair value gain from listed equity security of S\$100,000 (as opposed to fair value loss from listed equity of S\$118,000 in H2 2019).

The increase was partly offset by reduction in net foreign exchange gain of S\$82,000 in H2 2020 (as opposed to net foreign exchange loss of S\$83,000 in H2 2019).

#### FY 2020 vs FY 2019

Year-on-year, other income increased by S\$1.4 million or more than tripled the amount for FY 2019. This was due to higher grant income of S\$1.1 million, fair value gain from listed equity security of S\$128,000 (as opposed to fair value loss from listed equity of S\$118,000 in FY 2019) and net foreign exchange gain of S\$52,000 (as opposed to net foreign exchange loss of S\$106,000 in FY 2019).



#### 8(a)(iv) Operating expenses

|   | H2 2019 | H1 2020 | H2 2020 | Variance Fav/(Unfav) |         | Variance Fav/(Unfav) |         |
|---|---------|---------|---------|----------------------|---------|----------------------|---------|
|   | S\$'000 | S\$'000 | S\$'000 | H2 2020 vs H1 2020   | %       | H2 2020 vs H2 2019   | %       |
| Advertising and entertainment   | 132     | 70      | 65      | 5                    | 7.0     | 67                   | 50.5    |
| Change in fair value of financial assets<br>at fair value through profit or loss      |         |         |         |                      |         |                      |         |
| - listed equity security  | 118     | -       | -       | -                    | -       | 118                  | NM      |
| Change in fair value of financial liabilities<br>at fair value through profit or loss |         |         |         |                      |         |                      |         |
| - forward foreign exchange contracts  | 37      | 32      | 132     | (100)                | (313.2) | (95)                 | (255.8) |
| Net foreign exchange loss   | 83      | -       | -       | -                    | -       | 83                   | NM      |
| Professional fees   | 414     | 308     | 389     | (81)                 | (26.2)  | 25                   | 6.0     |
| Travelling and transport  | 465     | 247     | 181     | 66                   | 26.4    | 284                  | 61.0    |
| Employee remuneration and related expenses  | 7,039   | 7,195   | 7,283   | (88)                 | (1.2)   | (244)                | (3.5)   |

#### H2 2020 vs H1 2020

Total operating expenses for H2 2020 increased by S\$0.5 million or 4.1% as compared to S\$11.5 million in H1 2020.

The main reasons contributing to the increase were:

- (i) higher professional fees of S\$0.1 million;
- (ii) higher staff costs of S\$0.1 million; and
- (iii) fair value loss from foreign exchange contracts of S\$0.1 million.

#### H2 2020 vs H2 2019

As compared to H2 2019, the total operating expenses decreased by S\$0.3 million or 2.2%.

The main reasons for the decrease were:

- (i) absence of fair value loss from listed equity security of S\$0.1 million;
- (ii) absence of net foreign exchange loss of S\$0.1 million;
- (iii) lower travelling and transport expenses of S\$0.3 million; and
- (iv) lower advertising and entertainment expenses of S\$0.1 million.

The decrease was partly offset by an increase in staff costs of S\$0.2 million.

## FY 2020 vs FY 2019

|   | FY 2019<br>S\$'000 | FY 2020<br>S\$'000 | Variance Fav/(Unfav)<br>S\$'000 % |         |
|---|--------------------|--------------------|-----------------------------------|---------|
| Advertising and entertainment   | 262                | 136                | 126                               | 48.1    |
| Change in fair value of financial assets<br>at fair value through profit or loss      |                    |                    |                                   |         |
| - listed equity security  | 118                | -                  | 118                               | NM      |
| Change in fair value of financial liabilities<br>at fair value through profit or loss |                    |                    |                                   |         |
| - forward foreign exchange contracts  | 50                 | 164                | (114)                             | (227.1) |
| Net foreign exchange loss   | 106                | -                  | 106                               | NM      |
| Travelling and transport  | 900                | 428                | 472                               | 52.4    |
| Employee remuneration and related expenses  | 14,190             | 14,478             | (288)                             | (2.0)   |

Year-on-year, total operating expenses decreased by S\$0.5 million or 2.2% to S\$23.4 million.

The decrease was mainly due to:

- (i) lower travelling and transport expenses of S\$0.5 million;
- (ii) lower advertising and entertainment expenses of S\$0.1 million;
- (iii) absence of fair value loss from listed equity security of S\$0.1 million; and
- (iv) absence of net foreign exchange loss of S\$0.1 million.

The decrease was partly offset by an increase in staff costs of S\$0.3 million and higher fair value loss from forward contracts of S\$0.1 million.

## **8(a)(v) Finance costs**

Finance costs comprised the following:-

|                                | H2 2019<br>S\$'000 | H1 2020<br>S\$'000 | H2 2020<br>S\$'000 | Variance Fav/(Unfav)<br>H2 2020 vs H1 2020<br>S\$'000 % |       | Variance Fav/(Unfav)<br>H2 2020 vs H2 2019<br>S\$'000 % |       |
|--------------------------------|--------------------|--------------------|--------------------|---|-------|---|-------|
| Bills payables                 | 201                | 163                | 98                 | 65  | 39.6  | 103   | 51.0  |
| Bank loans                     | 247                | 192                | 121                | 71  | 36.8  | 126   | 50.9  |
| Bank overdraft                 | -                  | -                  | 10                 | (10)  | NM    | (10)  | NM    |
| Leases for right-of-use assets | 71                 | 70                 | 72                 | (2)   | (1.6) | (1)   | (0.7) |
| Total finance costs            | 519                | 425                | 301                | 124   | 29.1  | 218   | 41.9  |

|                                | FY 2019 | FY 2020 | Variance Fav/(Unfav) |      |
|--------------------------------|---------|---------|----------------------|------|
|                                | S\$'000 | S\$'000 | S\$'000              | %    |
| Bills payables                 | 473     | 261     | 212                  | 44.9 |
| Bank loans                     | 400     | 313     | 87                   | 21.6 |
| Bank overdraft                 | -       | 10      | (10)                 | NM   |
| Leases for right of use assets | 143     | 142     | 1                    | 0.9  |
| Total finance costs            | 1,016   | 726     | 290                  | 28.5 |

#### H2 2020 vs H1 2020

#### H2 2020 vs H2 2019

Total finance costs for H2 2020 decreased by S\$124,000 or 29.1% and S\$218,000 or 41.9% over H1 2020 and H2 2019 respectively due to lower interest rates and a marginal decrease in borrowings.

#### FY 2020 vs FY 2019

For same reasons noted above, total finance costs decreased by S\$0.3 million or 28.5% year-on-year.

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

#### H2 2020 vs H1 2020

Our share of profits of associated companies fell by S\$0.2 million or 20.0% in H2 2020 as the demand and prices of cleaning chemicals normalized in H2 2020.

#### H2 2020 vs H2 2019

Our share of profit of associated companies increased slightly by S\$0.1 million or 11.6% as compared to H2 2019 as a result of better gross profit margin and lower total expenses.

#### FY 2020 vs FY 2019

The increase in demand for cleaning chemicals in H1 2020 boosted the performance of one of our associated companies whose key business was the distribution of cleaning chemicals. Hence, our share of profits increased by S\$0.5 million or 43.6% as compared to FY 2019.

### **8(a)(vii) Profit before income tax and net profit after tax**

#### H2 2020 vs H1 2020

Net profit before tax and EBITDA decreased by S\$0.6 million or 17.7% and S\$0.7 million or 16.8% respectively as compared to H1 2020.

Higher total operating expenses and finance costs of S\$0.3 million, lower share of profit of associated companies of S\$0.2 million and lower other income of S\$0.2 million resulted in the decrease in profitability.

As income tax expense for H2 2020 was lower by S\$0.2 million, net profit after tax decreased by S\$0.4 million or 13.5% over H1 2020.

Excluding grant income, net profit before tax and net profit after tax would have decreased by S\$0.5 million or 17.7% and S\$0.3 million or 12.1% respectively.

#### H2 2020 vs H2 2019

Net profit before tax and net profit after tax increased by S\$0.3 million or 11.7% and S\$0.5 million or 24.0% respectively as compared to H2 2019 while EBITDA was marginally higher by S\$0.1 million or 1.9% over H2 2019.

Lower total operating and finance costs of S\$0.5 million, higher other income of S\$0.5 million and higher share of profit of associated companies of S\$0.1 million more than offset the decrease in gross profit of S\$0.8 million. A lower income tax expense was recorded in H2 2020 and the reason was explained above.

Excluding grant income, net profit before tax would have decreased by S\$0.2 million or 10.1% and net profit after tax would be relatively unchanged.

#### FY 2020 vs FY 2019

Net profit before tax increased by S\$1.0 million or 19.6% as compared to FY 2019 and EBITDA was also higher by S\$0.7 million or 9.8% vis-à-vis FY 2019.

This was mainly due to higher other income of S\$1.4 million, higher share of profit of associated companies of S\$0.5 million and lower total operating and finance costs of S\$0.8 million which compensated for the lower gross profit of S\$1.7 million.

As income tax expense for FY 2020 was lower by S\$0.3 million mainly due to non-taxable grant income, net profit after tax increased by S\$1.3 million or 32.0% year-on-year.

Excluding grant income, net profit before tax would have decreased by S\$0.2 million or 3.4% and net profit after tax would have been higher by S\$0.2 million or 3.9%.

### **8(a)(viii) Total comprehensive income**

#### H2 2020 vs H1 2020

#### H2 2020 vs H2 2019

Translation losses of S\$0.5 million was recorded for H2 2020 as compared to translation gains of S\$0.2 million recorded for H1 2020 and H2 2019. These translation gains or losses arise from translation of foreign currency denominated asset and liabilities of subsidiaries and associated companies.

The translation gains of S\$0.2 million recorded for H1 2020 and H2 2019 were largely due to the appreciation of United States Dollar against Singapore Dollar and appreciation of Thai Baht against Singapore Dollar respectively but these positions were reversed in H2 2020 resulting in translation losses. Additional translation loss was also incurred due to the appreciation of Australian Dollar against Singapore Dollar in H2 2020.

As a result, comprehensive income for H2 2020 decreased by S\$1.0 million or 34.6% to S\$1.9 million as compared to H1 2020 and was S\$0.3 million or 11.9% lower than H2 2019.

#### FY 2020 vs FY 2019

Translation losses of S\$0.3 million was recorded for FY 2020 as compared to translation gains of S\$0.3 million recorded last year.

These translation losses largely resulted from the appreciation of Australian Dollar against Singapore Dollar and the depreciation of United States Dollar against Singapore Dollar in the current year.

Hence, comprehensive income increased by S\$0.6 million or 13.6%.

## 8(b) BALANCE SHEET ANALYSIS

| Balance Sheet Highlights   | As at               |                     | Variance<br>31 December 2020 vs<br>31 December 2019<br>Fav/(Unfav) |
|--|---------------------|---------------------|--|
|  | 31 December<br>2019 | 31 December<br>2020 |  |
| Cash (S\$'mil)   | 14.9                | <b>16.2</b>         | 1.3  |
| Borrowings (S\$'mil)   | 18.4                | <b>19.3</b>         | (0.9)  |
| Current ratio (times)  | 2.2                 | <b>2.2</b>          | -  |
| Gearing ratio (times)  | 0.37                | <b>0.37</b>         | -  |
| Net assets per share attributable to equity holders of the Company (cents) | 37.24               | <b>39.33</b>        | 2.09   |
| Inventory turnover (days)  | 124                 | <b>133</b>          | (9)  |
| Trade receivables turnover (days)  | 75                  | <b>80</b>           | (5)  |
| Trade payable turnover (days)  | 30                  | <b>34</b>           | 4  |

### Property, plant and equipment

There was no significant change in the carrying value of property, plant and equipment as at 31 December 2020 and 31 December 2019. Capital expenditure of S\$0.4 million was offset by depreciation charge of S\$0.9 million in the current year.

### Construction-in-progress

The carrying value of S\$2.8 million related to expenditure for the construction of office cum warehouse industrial building in Klang, Selangor, Malaysia.

### Right-of-use assets

The carrying value of right-of-use assets decreased by S\$0.1 million from S\$2.8 million as at 31 December 2019 to S\$2.7 million as at 31 December 2020 mainly due to depreciation charge of S\$0.4 million in the current year offset by S\$0.2 million new leases recognized.

### Investment in associated companies

The increase in carrying value of our associated companies by S\$1.0 million or 15.2% was mainly due to positive contribution from operation for the current year of S\$1.6 million offset by translation losses of S\$0.2 million and dividend return of S\$0.4 million.

### Deferred tax assets

There was no significant change in the carrying value of deferred tax assets as at 31 December 2020 and 31 December 2019.

### Trade and other receivables

Net trade receivables increased by S\$2.0 million or 9.1% from S\$21.6 million as at 31 December 2019 to S\$23.6 million as at 31 December 2020. The increase was because of higher sales in the last 3 months of 2020 as compared to the same period last year.

Turnover days for FY 2020 increased to 80 days from 75 days in FY 2019.

On the other hand, other receivables decreased by S\$0.7 million mainly due to timing differences.

### Inventories

Inventories decreased by S\$1.0 million or 4.1% from S\$25.4 million as at 31 December 2019 to S\$24.4 million as at 31 December 2020. The decrease in inventories was in line with slower sales in the current year. Hence, inventory turnover days for FY 2020 increased to 133 days as compared to 124 days in FY 2019.

#### Other current assets

Other current assets increased by S\$0.2 million to S\$2.6 million as compared S\$2.4 million as at 31 December 2019 mainly due to S\$0.3 million higher advance payments to suppliers for inventory purchase.

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

The increase in financial assets at fair value through profit or loss was mainly due to fair value gain from listed equity security of S\$128,000 in FY 2020.

The increase in financial liabilities at fair value through profit or loss was mainly due to fair value loss from forward contracts of S\$166,000 arising in FY 2020.

#### Trade and other payables

Total trade payables decreased marginally by S\$0.1 million or 1.4% from S\$6.9 million as at 31 December 2019 to S\$6.8 million at 31 December 2020 while turnover days for FY 2020 increased to 34 days from 30 days in FY 2019.

Other payables in aggregate consisting of accrued operating expenses, advance payments from customer and sundry payables increased by S\$1.5 million from S\$5.2 million as at 31 December 2019 to S\$6.7 million as at 31 December 2020. This was primarily due to higher sundry payables which include payables for construction-in-progress of S\$0.4 million.

#### Financial liabilities - lease liabilities

Lease liabilities decreased by S\$0.1 million or 2.7% from S\$2.8 million as at 31 December 2019 to S\$2.7 million as at 31 December 2020 as a result of S\$0.3 million repayment in the current year offset by additional lease liabilities recognized of S\$0.2 million.

#### Borrowings

Total borrowings increased by S\$0.9 million or 5.0% from S\$18.4 million as at 31 December 2019 to S\$19.3 million as at 31 December 2020 and this was mainly due to a long term bank loan extended under the Enterprise Financing Scheme.

Although borrowings increased, our gearing ratio remain unchanged at 0.37 as at 31 December 2020.

#### Net asset value

Net asset value per share increased from 37.24 cents as at 31 December 2019 to 39.33 cents as at 31 December 2020 primarily due to comprehensive income to equity holders of S\$4.9 million offset by dividend payment to shareholders of S\$2.0 million in the current year.

### **8(c) CASH FLOW**

As a result of positive net profit after tax and lower inventory purchases, positive cash flows from operating activities of S\$6.1 million were generated. This was partially utilized to pay for capital expenditure, satisfy dividends and other financing obligations.

With strong cash generated from operating activities in FY 2020, cash and cash equivalents increased by S\$1.0 million from S\$14.9 million as at 31 December 2019 to S\$15.9 million as at 31 December 2020.

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

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

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

#### **RISK FACTORS**

We believe the imminent risks to our financial performance in the year 2021 ("FY 2021") are as follows:

**Global economy**

Macro indicators and sentiment suggest the COVID-19 led recession might have already hit a bottom. The discovery of COVID-19 also raises hope that this pandemic may be contained in the future. However, any further resurgence of COVID-19 may result in an uneven recovery. In addition, political tension between the two major economic powers of the world remains unabated. Inevitably, the impact will be felt in the chemical industry which will in turn have an adverse effect on our performance.

**Financial market risk**

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

**Surging Shipping Cost**

The pandemic and uneven economic recovery has led to a critical shortage of containers in recent months, driving up shipping cost. This may dampen demand for chemicals until the supply of container capacity normalise.

**Volatility in energy prices**

Oil prices has staged a remarkable rebound in the later part of 2020. Any further escalation in oil prices may push freight rates and chemical prices higher which may in turn dampen demand for chemicals. Specialty chemicals are not immune to oil price fluctuations but, in contrast to bulk chemicals, it is less susceptible 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. This poses a challenge to our foreign exchange risk management. While we will continue to hedge our exposure, we recognise that there is no perfect hedge. In addition, currencies of certain countries have limited liquidity and carry high hedging cost. Thus, any adverse changes in foreign currency may have an impact on our profitability.

**Interest rate risk**

Our interest rate risk arises from bank borrowings at floating rates. Although market interest rates have been falling and are now at historical low, any rise in interest rates in the future 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 economic recession. 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.

**Liquidity risk**

The emergence of COVID-19 has also led to banks taking a more prudent stance in its lending activities. This can put further strain on companies which are heavily reliant on bank borrowings. Notwithstanding the fact that we partly rely on bank borrowings to fund our operations, our low gearing and sound liquidity put us in a healthy financial position. Thus far, our banks have remained very supportive even during this health and economic crisis.

## PROSPECTS

### 2021 Outlook

One year has passed since COVID-19 first emerged and the world is still grappling with the negative effects it has on the global economy. The emergence of a new variant of COVID-19 virus raises fear that infection rate may surge again. On the political front, the on-going US-China tension may pose risk on any economic recovery even though a new US administration is now in place following the US election.

However concerted stimulus efforts of government and central banks have provided the liquidity and a low interest environment to keep businesses afloat. Gradual easing of lockdown measures in some countries have revived some business activities. Positive developments in the discoveries of COVID-19 vaccines also raise hopes that the world can move forward from the pandemic. Moreover macro indicators and sentiments in recent months have improved.

Even though there are early signs of an economic recovery, the pace and extent of it is still dependent on developments of the COVID-19 situation. As the pandemic remains in a state of flux, economic recovery is likely to be gradual and uneven.

On the back of improved business sentiments, the chemical industry is also seeing an uptick in activities along with firmer chemical prices.

For Megachem, it will be a year when we position ourselves for recovery while keeping an eye on possible obstacles to the recovery. We will remain steadfast in executing our strategy of providing solutions to our customers across a diversified portfolio of industries. This entails building our strategy around an Asia-centric market, deepening our presence in high growth industries and maintaining a diversified business model.



## 11. Dividend

### (a) Current financial year reported on

Any dividend declared (recommended) for the current financial year ended 31 December 2020? Yes

The directors are pleased to recommend a final tax exempt dividend of 1.0 cent per share in respect of the financial year ended 31 December 2020 for approval by the shareholders at the next Annual General Meeting to be convened.

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

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

Any dividend declared for the immediately preceding financial year ended 31 December 2019? Yes

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

### (c) Date payable

The final tax exempt dividend of 1.0 cent per share in respect of the financial year ended 31 December 2020, subject to approval by the shareholders at the next Annual General Meeting to be convened, will be paid on 25 May 2021.

### (d) Books closure date

The Transfer Books and Register of Members of the Company will be closed on 10 May 2021 for the purpose of determining member's entitlements to the proposed final tax exempt dividend.

Duly completed and stamped transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd), 80 Robinson Road, #02-00, Singapore 068898, up to 5.00pm on 7 May 2021 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 7 May 2021 will be entitled to the payment of the proposed dividend.

Payment of the final tax exempt dividend of 1.0 cent per share will be made on 25 May 2021.

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

**Primary reporting format – Geographical segments by location of assets**

|  | <u>Singapore</u><br>S\$'000 | <u>Malaysia</u><br>S\$'000 | <u>Indonesia</u><br>S\$'000 | <u>United Kingdom</u><br>S\$'000 | <u>China</u><br>S\$'000 | <u>Vietnam</u><br>S\$'000 | <u>Others</u><br>S\$'000 | <u>Unallocated</u><br>S\$'000 | <u>Group</u><br>S\$'000 |
|--|-----------------------------|----------------------------|-----------------------------|----------------------------------|-------------------------|---------------------------|--------------------------|-------------------------------|-------------------------|
| <b>For the financial year ended 31 December 2020</b> |                             |                            |                             |                                  |                         |                           |                          |                               |                         |
| <b>Sales</b>   |                             |                            |                             |                                  |                         |                           |                          |                               |                         |
| Total sales by segment                               | 46,899                      | 12,373                     | 8,188                       | 15,340                           | 12,628                  | 5,363                     | 15,575                   | -                             | 116,366                 |
| Inter-segment sales                                  | (5,340)                     | (420)                      | (67)                        | (1,984)                          | (3,193)                 | (54)                      | (69)                     | -                             | (11,127)                |
|  | 41,559                      | 11,953                     | 8,121                       | 13,356                           | 9,435                   | 5,309                     | 15,506                   | -                             | 105,239                 |
| <b>Segment result</b>                                |                             |                            |                             |                                  |                         |                           |                          |                               |                         |
| Interest income - bank                               | 2,094                       | 1,080                      | 108                         | 201                              | 321                     | 609                       | 466                      | -                             | 4,879                   |
| Finance costs  |                             |                            |                             |                                  |                         |                           |                          | 191                           | 191                     |
| Share of profit of associated companies              |                             |                            |                             |                                  |                         |                           |                          | (726)                         | (726)                   |
| Profit before income tax                             |                             |                            |                             |                                  |                         |                           |                          | 1,594                         | 1,594                   |
| Income tax expense                                   |                             |                            |                             |                                  |                         |                           |                          | 1,059                         | 5,938                   |
|  |                             |                            |                             |                                  |                         |                           |                          | (680)                         | (680)                   |
| <b>Net profit</b>                                    | <b>2,094</b>                | <b>1,080</b>               | <b>108</b>                  | <b>201</b>                       | <b>321</b>              | <b>609</b>                | <b>466</b>               | <b>379</b>                    | <b>5,258</b>            |
| <b>Other segment items</b>                           |                             |                            |                             |                                  |                         |                           |                          |                               |                         |
| Capital expenditure                                  | 301                         | 2,816                      | 15                          | 17                               | 3                       | 2                         | 83                       | -                             | 3,237                   |
| Depreciation   | 663                         | 158                        | 115                         | 100                              | 87                      | 43                        | 76                       | -                             | 1,242                   |

  

|                                       | <u>Singapore</u><br>S\$'000 | <u>Malaysia</u><br>S\$'000 | <u>Indonesia</u><br>S\$'000 | <u>United Kingdom</u><br>S\$'000 | <u>China</u><br>S\$'000 | <u>Vietnam</u><br>S\$'000 | <u>Others</u><br>S\$'000 | <u>Unallocated</u><br>S\$'000 | <u>Group</u><br>S\$'000 |
|---------------------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------------|-------------------------|---------------------------|--------------------------|-------------------------------|-------------------------|
| <b>Segment assets</b>                 |                             |                            |                             |                                  |                         |                           |                          |                               |                         |
| Associated companies                  | 31,912                      | 14,606                     | 5,482                       | 6,418                            | 5,308                   | 3,364                     | 10,506                   | -                             | 77,596                  |
| Deferred tax assets                   |                             |                            |                             |                                  |                         |                           |                          | 7,613                         | 7,613                   |
| Interest earning cash balances        |                             |                            |                             |                                  |                         |                           |                          | 561                           | 561                     |
|                                       |                             |                            |                             |                                  |                         |                           |                          | 5,542                         | 5,542                   |
| <b>Consolidated total assets</b>      | <b>31,912</b>               | <b>14,606</b>              | <b>5,482</b>                | <b>6,418</b>                     | <b>5,308</b>            | <b>3,364</b>              | <b>10,506</b>            | <b>13,716</b>                 | <b>91,312</b>           |
| <b>Segment liabilities</b>            |                             |                            |                             |                                  |                         |                           |                          |                               |                         |
| Borrowings                            | (8,367)                     | (1,153)                    | (815)                       | (3,812)                          | (809)                   | (347)                     | (1,173)                  | -                             | (16,476)                |
| Current income tax liabilities        |                             |                            |                             |                                  |                         |                           |                          | (19,345)                      | (19,345)                |
| Deferred income tax liabilities       |                             |                            |                             |                                  |                         |                           |                          | (203)                         | (203)                   |
|                                       |                             |                            |                             |                                  |                         |                           |                          | -                             | -                       |
| <b>Consolidated total liabilities</b> | <b>(8,367)</b>              | <b>(1,153)</b>             | <b>(815)</b>                | <b>(3,812)</b>                   | <b>(809)</b>            | <b>(347)</b>              | <b>(1,173)</b>           | <b>(19,548)</b>               | <b>(36,024)</b>         |

|  | <u>Singapore</u> | <u>Malaysia</u> | <u>Indonesia</u> | <u>United Kingdom</u> | <u>China</u>  | <u>Vietnam</u> | <u>Others</u> | <u>Unallocated</u> | <u>Group</u>   |
|--|------------------|-----------------|------------------|-----------------------|---------------|----------------|---------------|--------------------|----------------|
|  | S\$'000          | S\$'000         | S\$'000          | S\$'000               | S\$'000       | S\$'000        | S\$'000       | S\$'000            | S\$'000        |
| <b>For the financial year ended 31 December 2019</b> |                  |                 |                  |                       |               |                |               |                    |                |
| <b>Sales</b>   |                  |                 |                  |                       |               |                |               |                    |                |
| Total sales by segment                               | 54,002           | 14,622          | 8,662            | 14,478                | 16,111        | 6,981          | 14,085        | -                  | 128,941        |
| Inter-segment sales                                  | (8,795)          | (428)           | (162)            | (2,352)               | (3,328)       | (27)           | (64)          | -                  | (15,156)       |
|  | <u>45,207</u>    | <u>14,194</u>   | <u>8,500</u>     | <u>12,126</u>         | <u>12,783</u> | <u>6,954</u>   | <u>14,021</u> | <u>-</u>           | <u>113,785</u> |
| <b>Segment result</b>                                |                  |                 |                  |                       |               |                |               |                    |                |
| Interest income - bank                               | 1,666            | 1,427           | 416              | 157                   | 379           | 995            | (352)         | -                  | 4,688          |
| Finance costs  |                  |                 |                  |                       |               |                |               | 185                | 185            |
| Share of profit of associated companies              |                  |                 |                  |                       |               |                |               | (1,016)            | (1,016)        |
| Profit before income tax                             |                  |                 |                  |                       |               |                |               | 1,110              | 1,110          |
| Income tax expense                                   |                  |                 |                  |                       |               |                |               | 279                | 4,967          |
|  |                  |                 |                  |                       |               |                |               | (985)              | (985)          |
| <b>Net profit</b>                                    | <u>1,666</u>     | <u>1,427</u>    | <u>416</u>       | <u>157</u>            | <u>379</u>    | <u>995</u>     | <u>(352)</u>  | <u>(706)</u>       | <u>3,982</u>   |
| <b>Other segment items</b>                           |                  |                 |                  |                       |               |                |               |                    |                |
| Capital expenditure                                  | 361              | 21              | 47               | 2                     | 1             | 2              | 26            | -                  | 460            |
| Depreciation   | 627              | 158             | 115              | 96                    | 88            | 53             | 93            | -                  | 1,230          |

|                                       | <u>Singapore</u> | <u>Malaysia</u> | <u>Indonesia</u> | <u>United Kingdom</u> | <u>China</u> | <u>Vietnam</u> | <u>Others</u>  | <u>Unallocated</u> | <u>Group</u>    |
|---------------------------------------|------------------|-----------------|------------------|-----------------------|--------------|----------------|----------------|--------------------|-----------------|
|                                       | S\$'000          | S\$'000         | S\$'000          | S\$'000               | S\$'000      | S\$'000        | S\$'000        | S\$'000            | S\$'000         |
| <b>Segment assets</b>                 |                  |                 |                  |                       |              |                |                |                    |                 |
| Associated companies                  | 28,033           | 12,373          | 6,747            | 5,681                 | 6,319        | 4,054          | 9,363          | -                  | 72,570          |
| Deferred tax assets                   |                  |                 |                  |                       |              |                |                | 6,610              | 6,610           |
| Interest earning cash balances        |                  |                 |                  |                       |              |                |                | 442                | 442             |
|                                       |                  |                 |                  |                       |              |                |                | 6,543              | 6,543           |
| <b>Consolidated total assets</b>      | <u>28,033</u>    | <u>12,373</u>   | <u>6,747</u>     | <u>5,681</u>          | <u>6,319</u> | <u>4,054</u>   | <u>9,363</u>   | <u>13,595</u>      | <u>86,165</u>   |
| <b>Segment liabilities</b>            |                  |                 |                  |                       |              |                |                |                    |                 |
| Borrowings                            | (7,999)          | (735)           | (746)            | (2,878)               | (977)        | (503)          | (1,210)        | -                  | (15,048)        |
| Current income tax liabilities        |                  |                 |                  |                       |              |                |                | (18,429)           | (18,429)        |
|                                       |                  |                 |                  |                       |              |                |                | (242)              | (242)           |
| <b>Consolidated total liabilities</b> | <u>(7,999)</u>   | <u>(735)</u>    | <u>(746)</u>     | <u>(2,878)</u>        | <u>(977)</u> | <u>(503)</u>   | <u>(1,210)</u> | <u>(18,671)</u>    | <u>(33,719)</u> |

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

**Secondary reporting format – Business segments**

|  | <u>Distribution</u><br>S\$'000 | <u>Manufacturing</u><br>S\$'000 | <u>Unallocated</u><br>S\$'000 | <u>Group</u><br>S\$'000 |
|--|--------------------------------|---------------------------------|-------------------------------|-------------------------|
| <b>For the financial year ended<br/>31 December 2020</b> |                                |                                 |                               |                         |
| <b>Sales</b>   |                                |                                 |                               |                         |
| Total sales by segment                                   | 101,962                        | 3,927                           | -                             | 105,889                 |
| Inter-segment sales                                      | (194)                          | (456)                           | -                             | (650)                   |
|  | <u>101,768</u>                 | <u>3,471</u>                    | <u>-</u>                      | <u>105,239</u>          |
| <b>Segment result</b>                                    | 4,366                          | 513                             | -                             | 4,879                   |
| Interest income - bank                                   |                                |                                 | 191                           | 191                     |
| Finance costs  |                                |                                 | (726)                         | (726)                   |
| Share of profit of associated<br>companies               |                                |                                 | <u>1,594</u>                  | <u>1,594</u>            |
| Profit before income tax                                 |                                |                                 | 1,059                         | 5,938                   |
| Income tax expense                                       |                                |                                 | <u>(680)</u>                  | <u>(680)</u>            |
| <b>Net profit</b>  | <u>4,366</u>                   | <u>513</u>                      | <u>379</u>                    | <u>5,258</u>            |
| <b>Other segment items</b>                               |                                |                                 |                               |                         |
| Capital expenditure                                      | 3,212                          | 25                              | -                             | 3,237                   |
| Depreciation   | <u>943</u>                     | <u>299</u>                      | <u>-</u>                      | <u>1,242</u>            |
|  |                                |                                 |                               |                         |
|  | <u>Distribution</u><br>S\$'000 | <u>Manufacturing</u><br>S\$'000 | <u>Unallocated</u><br>S\$'000 | <u>Group</u><br>S\$'000 |
| <b>Segment assets</b>                                    | 70,387                         | 7,209                           | -                             | 77,596                  |
| Associated companies                                     |                                |                                 | 7,613                         | 7,613                   |
| Deferred tax assets                                      |                                |                                 | 561                           | 561                     |
| Interest earning cash balances                           |                                |                                 | <u>5,542</u>                  | <u>5,542</u>            |
| <b>Consolidated total assets</b>                         | <u>70,387</u>                  | <u>7,209</u>                    | <u>13,716</u>                 | <u>91,312</u>           |
|  |                                |                                 |                               |                         |
| <b>Segment liabilities</b>                               | (14,684)                       | (1,792)                         | -                             | (16,476)                |
| Borrowings   |                                |                                 | (19,345)                      | (19,345)                |
| Current income tax liabilities                           |                                |                                 | <u>(203)</u>                  | <u>(203)</u>            |
| <b>Consolidated total liabilities</b>                    | <u>(14,684)</u>                | <u>(1,792)</u>                  | <u>(19,548)</u>               | <u>(36,024)</u>         |

**For the financial year ended  
31 December 2019**

**Sales**

|                        | <u>Distribution</u><br>S\$'000 | <u>Manufacturing</u><br>S\$'000 | <u>Unallocated</u><br>S\$'000 | <u>Group</u><br>S\$'000 |
|------------------------|--------------------------------|---------------------------------|-------------------------------|-------------------------|
| Total sales by segment | 110,090                        | 4,205                           | -                             | 114,295                 |
| Inter-segment sales    | (52)                           | (458)                           | -                             | (510)                   |
|                        | <u>110,038</u>                 | <u>3,747</u>                    | <u>-</u>                      | <u>113,785</u>          |

**Segment result**

|   |              |            |              |              |
|---|--------------|------------|--------------|--------------|
|   | 4,140        | 548        | -            | 4,688        |
| Interest income - bank                  |              |            | 185          | 185          |
| Finance costs                           |              |            | (1,016)      | (1,016)      |
| Share of profit of associated companies |              |            | <u>1,110</u> | <u>1,110</u> |
| Profit before income tax                |              |            | 279          | 4,967        |
| Income tax expense                      |              |            | (985)        | (985)        |
| <b>Net profit</b>                       | <u>4,140</u> | <u>548</u> | <u>(706)</u> | <u>3,982</u> |

**Other segment items**

|                     |            |            |          |              |
|---------------------|------------|------------|----------|--------------|
| Capital expenditure | 304        | 156        | -        | 460          |
| Depreciation        | <u>950</u> | <u>280</u> | <u>-</u> | <u>1,230</u> |

|                                       | <u>Distribution</u><br>S\$'000 | <u>Manufacturing</u><br>S\$'000 | <u>Unallocated</u><br>S\$'000 | <u>Group</u><br>S\$'000 |
|---------------------------------------|--------------------------------|---------------------------------|-------------------------------|-------------------------|
| <b>Segment assets</b>                 | 65,271                         | 7,299                           | -                             | 72,570                  |
| Associated companies                  |                                |                                 | 6,610                         | 6,610                   |
| Deferred tax assets                   |                                |                                 | 442                           | 442                     |
| Interest earning cash balances        |                                |                                 | <u>6,543</u>                  | <u>6,543</u>            |
| <b>Consolidated total assets</b>      | <u>65,271</u>                  | <u>7,299</u>                    | <u>13,595</u>                 | <u>86,165</u>           |
| <b>Segment liabilities</b>            | (12,920)                       | (2,128)                         | -                             | (15,048)                |
| Borrowings                            |                                |                                 | (18,429)                      | (18,429)                |
| Current income tax liabilities        |                                |                                 | <u>(242)</u>                  | <u>(242)</u>            |
| <b>Consolidated total liabilities</b> | <u>(12,920)</u>                | <u>(2,128)</u>                  | <u>(18,671)</u>               | <u>(33,719)</u>         |

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

Please refer to section 8(a) Profitability Analysis.

#### 14. A breakdown of sales

|  | Full year ended<br>31 December 2020<br>S\$'000 | Full year ended<br>31 December 2019<br>S\$'000 | Variance<br>Increase/ (decrease)<br>S\$'000                      % |        |
|--|--|--|--|--------|
| <u>Sales</u>   |  |  |  |        |
| (a) Sales for the first half ("H1")  | 52,017   | 55,778   | (3,761)  | (6.7%) |
| (b) Sales for the second half ("H2")   | 53,222   | 58,007   | (4,785)  | (8.3%) |
| <i>Increase/(decrease) H2 from H1</i>  | 1,205  | 2,229  |  |        |
| <i>Increase/(decrease) H2 from H1 (in %)</i>   | 2.3%   | 4.0%   |  |        |
| <u>Operating profit after tax</u>  |  |  |  |        |
| (c) Operating profit after tax and before<br>attributing to non-controlling interests for H1 | 2,820  | 2,016  | 804  | 39.9%  |
| (d) Operating profit after tax and before<br>attributing to non-controlling interests for H2 | 2,438  | 1,966  | 472  | 24.0%  |
| <i>Decrease H2 from H1</i>   | (382)  | (50)   |  |        |
| <i>Decrease H2 from H1 (in %)</i>  | (13.5%)  | (2.4%)   |  |        |

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

|                            | Full year ended<br>31 December 2020<br>S\$ | Full year ended<br>31 December 2019<br>S\$ |
|----------------------------|--|--|
| Total annual dividend paid |  |  |
| Ordinary                   | 1,999,500                                  | 1,732,900                                  |

#### 16. Related Parties and Interested Person Transactions

| Name of interested person  | Aggregate value of all interested person transactions during the financial year ended 31 December 2020 under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions during the financial year ended 31 December 2020 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) |
|--|--|--|
| Transportation services rendered by Ipem Automation Sdn. Bhd, a company owned by associates of Mr Chew Choon Tee, a director of Megachem Group | Nil<br>(Note 1)  | Nil<br>(Note 1)  |
| Sales of products to Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations                                    | Nil<br>(Note 2)  | (Note 2)   |
| Purchase of products from Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations                               | Nil<br>(Note 3)  | Nil<br>(Note 3)  |

| Name of interested person  | Aggregate value of all interested person transactions during the financial year ended 31 December 2020 under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions during the financial year ended 31 December 2020 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) |
|--|--|--|
| Purchase of products from SPCI Pte Ltd, a company of which Dr Tay Kin Bee is also a director | (Note 4)   | Nil<br>(Note 4)  |

Note 1 : The Group did not engage the services of Ipem Automation Sdn. Bhd during the financial year ended 31 December 2020. There was no prior shareholders' mandate obtained for these interested person transactions.

Note 2 : The Group entered into sales transactions amounting to S\$87,634 with Chori Co., Ltd and its related corporations during the financial year ended 31 December 2020 and each transaction was below S\$100,000 which fell outside the scope of Rule 920. Shareholders' mandate was obtained for these interested person transactions.

Note 3 : The Group did not purchase from Chori Co., Ltd and its related corporations during the financial year ended 31 December 2020. Shareholders' mandate was obtained for these interested person transactions.

Note 4 : The Group entered into purchase transactions amounting to S\$55,467 and each transaction was below S\$100,000 which fell outside the scope of Rule 920. There was no prior shareholders' mandate obtained for these interested person transactions.

**17. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10).**

| Name         | Age | Family relationship with any director and/or substantial shareholder   | Current position and duties, and the year the position was first held   | Details of changes in duties and position held, if any, during the year |
|--------------|-----|--|---|---|
| Liau Bin Bin | 53  | Spouse of Mr Chew Choon Tee, the Executive Chairman and Managing Director and substantial shareholder of the Company | Managing Director of CN Chemicals Sdn Bhd, a wholly-owned subsidiary of Megachem Limited, since 1 January 2009. | Nil   |

The following directors and substantial shareholders have confirmed that as at 31 December 2020, they do not have any relatives who are holding a managerial position in the Company or any of its principal subsidiaries:-

|                   |                                      |
|-------------------|--------------------------------------|
| Tan Bock Chia     | Director and substantial shareholder |
| Chan Kam Loon     | Director                             |
| Lee Bon Leong     | Director                             |
| Tay Kin Bee       | Director                             |
| Yasutaka Kawamura | Director                             |

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

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

**19. Disclosure on Acquisitions and Realisation of Shares pursuant to Catalist Rule 706(A).**

There were no acquisition or realization of shares in any of the Group's subsidiary or associated company nor incorporation of any new subsidiary or associated company by the Company or any of the Group's entities during the full financial year ended 31 December 2020.

On behalf of the Board of Directors

Chew Choon Tee  
Managing Director

Tan Bock Chia  
Executive Director

22 February 2021