

MULTI-CHEM LIMITED

(Company Registration No. 198500318Z)
(Incorporated in the Republic of Singapore)

RESPONSE TO SGX QUERIES IN RELATION TO THE UNAUDITED FINANCIAL RESULTS FOR THE FULL FINANCIAL YEAR ENDED 31 DECEMBER 2021

The Board of Directors of Multi-Chem Limited ("Company" or together with its subsidiaries, the "Group") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") on 28 February 2022 relating to the Company's announcement released on 18 February 2022 regarding the unaudited financial results for the full financial year ended 31 December 2021 ("FY2021 Financial Statements").

The Company wishes to provide below its response to the queries raised by SGX-ST:

SGX-ST QUERY (1)

- (i) It was disclosed in the unaudited FY2021 Financial Statements that the Group reported an increase in the "Trade receivables" financial statement line item under its non-current assets from S\$3,951,000 as at 31 December 2020 to S\$11,012,000 as at 31 December 2021. The Group also reported an increase in the "Trade and other receivables" financial statement line item under its current assets from S\$122,827,000 as at 31 December 2020 to S\$132,702,000 as at 31 December 2021.

The aging analysis of trade receivables provides:

The age analysis of trade receivables is as follows:

	Group	
	31-12-2021	31-12-2020
	\$'000	\$'000
Current	102,853	87,551
Past due 0 to 1 month	17,510	13,054
Past due 1 to 2 months	12,763	9,313
Past due 2 to 5 months	2,776	8,296
Past due over 5 months	4,140	11,501
Total	140,043	129,715
Trade receivables are present in:		
Non-current assets	11,012	3,951
Current assets	129,031	125,764
	140,043	129,715

At page 19, it was also reported that that there was S\$651,000 of "Receivable written off as uncollectible", and that "As at 31 December 2021, trade receivables of \$2,974,000 (31 December 2020: \$4,427,000) had lifetime expected credit losses of the full value of the receivables."

In this regard, please disclose:

- The nature and breakdown of the Group's trade receivables in its non-current assets and its trade and other receivables in its current assets;
- The underlying transactions and terms of the transactions (including contract sum) and payment terms of the underlying contracts;
- Aging of the Group's other receivables under its current assets;
- The Group's plans to recover these trade and other receivables under is current and non-current assets; and
- The Board's assessment on the recoverability of these trade and other receivables.

COMPANY'S RESPONSE

- (a) The nature and breakdown of the Group's trade receivables in its non-current assets and its trade and other receivables in its current assets:

	Group	
	31-12-2021	31-12-2020
	\$'000	\$'000
Non-current assets		
Trade receivables – third parties	11,012	3,951
Current assets		
Trade receivables - third parties	129,031	125,764
Loss allowance on third party trade receivables	(5,635)	(6,741)
	<u>123,396</u>	<u>119,023</u>
Non-trade receivables - third parties	1,362	1,309
Advance to suppliers - third parties	5,818	919
	<u>130,576</u>	<u>121,251</u>
Deposits	518	550
Value added tax	1,608	1,026
	<u>132,702</u>	<u>122,827</u>
Total current trade and other receivables	<u>132,702</u>	<u>122,827</u>
Total trade and other receivables	<u>143,714</u>	<u>126,778</u>

Trade and other receivables of the Group increased by \$16.9m from \$126.8m to \$143.7m, mainly due to higher revenue attained in Year 2021 and upfront payment to suppliers for purchases prior to the delivery of goods and services.

- (b) The underlying transactions and terms of the transactions (including contract sum) and payment terms of the underlying contracts:

Non-current trade receivables due from third parties are measured at transaction price, net of financing component, when performance obligations on revenue contracts with customers were satisfied by the Group and the receivables are on scheduled billing arrangement. The amount is unsecured, non-interest bearing and is expected to be settled within 2 to 6 years (2020: 2 to 4 years).

Current trade receivables due from third parties are measured at transaction price, from credit sales on revenue contracts with customers, upon satisfaction of performance obligations by the Group. The amount is unsecured, non-interest bearing and generally on 30 to 120 days (2020: 30 to 120 days) credit terms.

Advance to suppliers was for upfront payment to vendors on significant purchases which exceeded the credit limit granted by vendors.

(c) Aging of the Group's other receivables under its current assets and other receivables:

	Group	
	31-12-2021	31-12-2020
	\$'000	\$'000
Current	6,699	1,747
Past due 0 to 1 month	235	246
Past due 1 to 2 months	19	44
Past due 2 to 5 months	49	27
Past due over 5 months but within 12 months	178	164
Total	<u>7,180</u>	<u>2,228</u>

(d) The Group's plans to recover these trade and other receivables under is current and non-current assets

The Group is working closely with customers and vendors to recover the trade and other receivables. As at 14 February 2022, the Group has recovered 35% of the trade and other receivables as at 31 December 2021.

(e) The Board's assessment on the recoverability of these trade and other receivables.

Management does not expect significant credit losses arising from the Group's trade and other receivables as at 31 December 2021 except for the uncertainty over the credit-impaired trade receivables amounting to \$2,974,000 and lifetime expected credit losses allowance had been recognised.

The Board concurs with Management's assessment.

SGX-ST QUERY (2)

We also note that the Group recognised a "Reversal of allowance on third party trade receivables" amounting to S\$547,000 for the 12 months ended 31 December 2021, as compared to providing a loss allowance on third party trade receivables of S\$1,972,000 for the 12 months ended 31 December 2020.

In this regard, please disclose the Board's opinion on the reasonableness of the methodologies used to determine the reversal of allowance for its third party trade receivables of S\$547,000 for the 12 months ended 31 December 2021.

COMPANY'S RESPONSE

The reversal was mainly due to collection received from customers on trade receivables which had lifetime expected credit losses of the full value of the receivables as at 31 December 2020. The Board is of the opinion that the methodologies used to determine the value of reversal of allowance on third party trade receivables of S\$547,000 for the 12 months ended 31 December 2021 is reasonable.

By Order of the Board

Han Juat Hoon
 Director

3 March 2022