

MULTI-CHEM LIMITED

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

RESPONSE TO SGX QUERIES IN RELATION TO FINANCIAL RESULTS FOR THE HALF-YEAR ENDED 30 JUNE 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 18 August 2021 relating to the Company’s announcement released on 6 August 2021 regarding the Financial Results for the half-year ended 30 June 2021 (“1H2021 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 1H2021 Financial Statements that the Group reported an increase in the “Trade receivables” financial statement line item from S\$3,951,000 as at 31 December 2020 to S\$7,659,000 as at 30 June 2021. The Group also reported an increase in the “Trade and other receivables” financial statement line item from S\$122,827,000 as at 31 December 2020 to S\$167,943,000 as at 30 June 2021.

In this regard, please disclose:

- (a) A breakdown of the Group’s trade and other receivables in its current assets and non-current assets;
- (b) The nature of breakdown of the Group’s other receivables;
- (c) The underlying transactions and terms of the transactions (including contract sum) and payment terms of the underlying contracts;
- (d) Aging of the Group’s trade receivables;
- (e) The Group’s plans to recover these trade and other receivables;

COMPANY’S RESPONSE

- (a) A breakdown of the Group’s trade and other receivables in its current assets and non-current assets;
- (b) The nature of breakdown of the Group’s other receivables;

Trade and other receivables	Group	
	30-06-2021	31-12-2020
	\$'000	\$'000
Non-current assets		
Trade receivables – third parties	7,659	3,951
Current assets		
Trade receivables – third parties	159,489	125,764
Loss allowance on third party trade receivables	(6,201)	(6,741)
	153,288	119,023
Non-trade receivables - third parties	879	1,309
Advance to suppliers - third parties	12,079	919
Deposits	547	550
Value added tax	1,150	1,026
Total current trade and other receivables	167,943	122,827
Total trade and other receivables	175,602	126,778

The increase in advance to suppliers – third parties was due to upfront payment to vendors for significant purchases prior to the delivery of goods and services.

- (c) 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 4 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.

- (d) Aging of the Group's trade receivables;

Trade receivables - Gross Amount	Group	
	30-06-2021	31-12-2020
	\$'000	\$'000
Current	114,801	87,551
Past due 0 - 1 month	23,196	13,054
Past due over 1 to 2 months	8,359	9,313
Past due over 2 to 5 months	15,523	8,296
Past due over 5 months	5,269	11,501
Total	167,148	129,715
Trade receivables are presented in:		
Non-current assets	7,659	3,951
Current assets	159,489	125,764
	167,148	129,715

- (e) The Group's plans to recover these trade and other receivables;

The Group is working closely with customers and vendors to recover the trade and other receivables. As at 6 August 2021, the Group has recovered 44% of the trade and other receivables as at 30 June 2021.

SGX-ST QUERY (2)

- (ii) The Group also reported an increase in the "Reversal of allowance on third party trade receivables" financial statement line item from S\$79,000 as at 30 June 2020 to S\$639,000 as at 30 June 2021.

At pg 15 of the 1H2021 Financial Statements, it was disclosed that "*Management applied the "simplified approach" for assessing ECL for trade receivables from third parties. Under the simplified approach, the Group's management developed a provision matrix using historical credit loss rates adjusted with forward looking information to reflect the effects of the current and future economic conditions, economic factors impacted by COVID-19 pandemic and customers' country credit rating.*"

At pg 16, it was also disclosed that "*As at 30 June 2021, trade receivables of \$2,592,000 (31 December 2020: \$4,427,000) had lifetime expected credit losses of the full value of the receivables. These receivables due at the end of financial year relates to customers located in various geographical areas. The main factors considered in determining the lifetime expected credit losses for these customers are debts past due more than 5 months and there was currently uncertainty over the recoverability of the debts.*"

In this regard, please disclose:

- (a) The Board's opinion on the reasonableness of the methodologies used to determine the value of the write-back of the trade receivables of S\$639,000 as at 30 June 2021;
- (b) The Board's assessment of the recoverability of the remaining trade and other receivables;
- (c) The general credit term extended to customers;
- (d) A breakdown of the Company's provision for trade receivables (by aging buckets and jurisdiction); and
- (e) The percentage of trade receivables attributed to the major customer (or 5 largest customers) of the Company.

COMPANY'S RESPONSE

- (a) The Board's opinion on the reasonableness of the methodologies used to determine the value of the write-back of the trade receivables of S\$639,000 as at 30 June 2021;

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\$639,000 as at 30 June 2021 is reasonable.

- (b) The Board's assessment of the recoverability of the remaining trade and other receivables;

Management does not expect significant credit losses arising from the Group's trade and other receivables as at 30 June 2021 except for the uncertainty over the credit-impaired trade receivables amounting to \$2,592,000 and lifetime expected credit losses allowance had been recognised.

The Board concurs with Management's assessment.

- (c) The general credit term extended to customers;

The general credit term extended to customers is 30 to 120 days from date of invoice.

- (d) A breakdown of the Company's provision for trade receivables (by aging buckets and jurisdiction);

In the provision matrix developed by the Management under the simplified approach for assessing ECL for trade receivables from third parties, aging bracket of trade receivables is not considered. The allowance on third party trade receivables by jurisdiction is as below:

Allowance on third party trade receivables	Group	
	30-06-2021	31-12-2020
IT business	\$'000	\$'000
- Australia	721	757
- Greater China	256	264
- India	2,211	2,342
- Indonesia	62	53
- Malaysia	337	226
- Philippines	103	141
- Singapore	2,480	2,692
- Thailand	28	36
- Vietnam	-	230
	6,198	6,741
PCB business		
- Singapore	3	-
Total	6,201	6,741

(e) The percentage of trade receivables attributed to the major customers of the Company.

Trade receivables attributed to major customers	Group	
	30-06-2021	31-12-2020
	%	%
Customer A Group of Companies	16	13
Customer B Group of Companies	12	4
Customer C Group of Companies	9	11

By Order of the Board

Han Juat Hoon
Director

20 August 2021