



MEGACHEM LIMITED

**Condensed Interim Financial
Statements**

**For The Half Year Ended
30 June 2022**

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

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**CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE HALF YEAR ENDED 30 JUNE 2022**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED
30 JUNE 2022**

		Unaudited For the half year ended 30 June 2022	Unaudited For the half year ended 30 June 2021	Variance Favourable/(Unfavourable)	
	Note	S\$	S\$	S\$	%
Revenue	3	75,174,309	65,909,357	9,264,952	14.1%
Cost of sales		<u>(56,553,067)</u>	<u>(49,510,735)</u>	(7,042,332)	(14.2%)
Gross profit		18,621,242	16,398,622	2,222,620	13.6%
Other income	4	735,152	730,323	4,829	0.7%
Distribution costs		(9,082,442)	(8,411,070)	(671,372)	(8.0%)
Administrative expenses		(3,070,675)	(3,008,158)	(62,517)	(2.1%)
Other operating expenses		(1,877,263)	(1,596,125)	(281,138)	(17.6%)
Finance costs	5	(492,541)	(371,424)	(121,117)	(32.6%)
Share of profit of associated companies		723,868	827,158	(103,290)	(12.5%)
Profit before income tax	6	<u>5,557,341</u>	<u>4,569,326</u>	988,015	21.6%
Income tax expense	7	<u>(1,099,422)</u>	<u>(790,526)</u>	(308,896)	(39.1%)
Net profit after tax		<u>4,457,919</u>	<u>3,778,800</u>	679,119	18.0%
Other comprehensive income:					
Exchange differences on translating foreign operations, net of tax		<u>(636,535)</u>	<u>(329,365)</u>	(307,170)	(93.3%)
Total comprehensive income		<u>3,821,384</u>	<u>3,449,435</u>	371,949	10.8%
Net profit attributable to:					
Equity holders of the Company		4,261,359	3,770,959	490,400	13.0%
Non-controlling interests		<u>196,560</u>	<u>7,841</u>	188,719	> 100.0%
Net profit		<u>4,457,919</u>	<u>3,778,800</u>	679,119	18.0%
Total comprehensive income attributable to:					
Equity holders of the Company		3,617,292	3,400,247	217,045	6.4%
Non-controlling interests		<u>204,092</u>	<u>49,188</u>	154,904	> 100.0%
Total comprehensive income		<u>3,821,384</u>	<u>3,449,435</u>	371,949	10.8%
Earnings per share of profit attributable to equity holders of the Company during the reporting period					
- basic and diluted	9	<u>3.20 cents</u>	<u>2.83 cents</u>	0.37 cents	13.1%

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

		<u>Group</u>		<u>Company</u>	
		Unaudited 30 June 2022 S\$	Audited 31 December 2021 S\$	Unaudited 30 June 2022 S\$	Audited 31 December 2021 S\$
	Note				
ASSETS					
Non-current assets					
Property, plant and equipment	11	15,854,512	15,222,238	1,331,938	1,087,803
Right-of-use assets	12	2,610,805	2,798,547	1,024,652	1,040,916
Investment property	13	65,542	68,789	-	-
Investments in subsidiaries		-	-	6,023,472	6,023,472
Investments in associated companies		7,758,919	7,973,809	2,798,756	2,798,756
Transferable club memberships		26,083	26,662	4,001	4,001
Other receivables		-	-	1,279,267	1,392,587
Deferred tax assets		456,780	633,668	-	-
		<u>26,772,641</u>	<u>26,723,713</u>	<u>12,462,086</u>	<u>12,347,535</u>
Current assets					
Inventories	14	45,223,470	36,452,737	25,447,519	19,915,170
Trade and other receivables	15	31,409,269	31,138,575	24,557,071	20,864,565
Financial assets at fair value through profit or loss	16	150,693	564,314	2,871	550,000
Other current assets		4,369,749	4,515,346	793,055	1,659,486
Cash and bank balances		12,162,760	11,531,588	2,566,603	1,703,083
		<u>93,315,941</u>	<u>84,202,560</u>	<u>53,367,119</u>	<u>44,692,304</u>
Total assets		<u>120,088,582</u>	<u>110,926,273</u>	<u>65,829,205</u>	<u>57,039,839</u>
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	17	15,892,028	15,892,028	15,892,028	15,892,028
Other reserves		(5,362,059)	(4,717,992)	-	-
Retained earnings		48,746,045	46,084,286	8,572,723	7,836,034
		<u>59,276,014</u>	<u>57,258,322</u>	<u>24,464,751</u>	<u>23,728,062</u>
Non-controlling interests		3,256,935	3,129,697	-	-
Total equity		<u>62,532,949</u>	<u>60,388,019</u>	<u>24,464,751</u>	<u>23,728,062</u>
Non-current liabilities					
Borrowings	18	1,166,667	1,416,667	1,166,667	1,416,667
Financial liabilities - lease liabilities		2,429,727	2,578,530	1,078,984	1,086,409
		<u>3,596,394</u>	<u>3,995,197</u>	<u>2,245,651</u>	<u>2,503,076</u>
Current liabilities					
Current income tax liabilities		574,067	610,423	496,408	361,000
Trade and other payables	19	16,745,909	18,006,212	11,327,538	10,707,247
Borrowings	18	36,302,809	27,536,109	27,280,190	19,717,910
Financial liabilities - lease liabilities		336,030	355,321	14,667	14,306
Financial liabilities at fair value through profit or loss	20	424	34,992	-	8,238
		<u>53,959,239</u>	<u>46,543,057</u>	<u>39,118,803</u>	<u>30,808,701</u>
Total liabilities		<u>57,555,633</u>	<u>50,538,254</u>	<u>41,364,454</u>	<u>33,311,777</u>
Total equity and liabilities		<u>120,088,582</u>	<u>110,926,273</u>	<u>65,829,205</u>	<u>57,039,839</u>

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2022

		Attributable to equity holders of the Company					Non-controlling interests S\$
		Total equity S\$	Parent Sub-total S\$	Share capital S\$	Other reserves S\$	Retained earnings S\$	
<u>The Group</u>	Note						
Curent year :							
Opening balance at 1 January 2022		60,388,019	57,258,322	15,892,028	(4,717,992)	46,084,286	3,129,697
Total comprehensive income for the reporting period		3,821,384	3,617,292	-	(644,067)	4,261,359	204,092
Final dividend relating to 2021 paid	8	(1,599,600)	(1,599,600)	-	-	(1,599,600)	-
Final dividends paid to non-controlling interests		(76,854)	-	-	-	-	(76,854)
Closing balance at 30 June 2022		62,532,949	59,276,014	15,892,028	(5,362,059)	48,746,045	3,256,935
Previous year :							
Opening balance at 1 January 2021		55,287,141	52,430,989	15,892,028	(4,183,679)	40,722,640	2,856,152
Total comprehensive income for the reporting period		3,449,435	3,400,247	-	(370,712)	3,770,959	49,188
Final dividend relating to 2020 paid	8	(1,333,000)	(1,333,000)	-	-	(1,333,000)	-
Closing balance at 30 June 2021		57,403,576	54,498,236	15,892,028	(4,554,391)	43,160,599	2,905,340
<u>The Company</u>	Note						
Curent year :							
Opening balance at 1 January 2022		23,728,062	15,892,028	7,836,034			
Total comprehensive income for the reporting period		2,336,289	-	2,336,289			
Final dividend relating to 2021 paid	8	(1,599,600)	-	(1,599,600)			
Closing balance at 30 June 2022		24,464,751	15,892,028	8,572,723			
Previous year :							
Opening balance at 1 January 2021		22,245,467	15,892,028	6,353,439			
Total comprehensive income for the reporting period		1,427,384	-	1,427,384			
Final dividend relating to 2020 paid	8	(1,333,000)	-	(1,333,000)			
Closing balance at 30 June 2021		22,339,851	15,892,028	6,447,823			

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE HALF YEAR ENDED 30 JUNE 2022

	Unaudited For the half year ended 30 June 2022 S\$	Unaudited For the half year ended 30 June 2021 S\$
Cash flows from operating activities		
Net profit	4,457,919	3,778,800
Adjustments for:		
Depreciation of property, plant and equipment and investment property	429,998	400,291
Depreciation of right-of-use assets	239,823	208,999
Gain on disposal of quoted equity shares	(147,060)	-
Gain on disposal of property, plant and equipment	(48,485)	(14,072)
Share of profit of associated companies	(723,868)	(827,158)
Income tax expense	1,099,422	790,526
Interest income from banks	(23,343)	(53,934)
Finance costs	492,541	371,424
Net changes in fair value of financial assets at fair value through profit or loss	(158,517)	(242,908)
Changes in fair value of financial liabilities at fair value through profit or loss	448	9,379
Operating cash flows before working capital changes	5,618,878	4,421,347
Change in operating assets and liabilities :		
Trade and other receivables and other current assets	(673,382)	(4,586,664)
Inventories	(9,074,505)	(4,863,288)
Trade and other payables	(1,100,829)	(981,645)
Foreign exchange adjustment differences	77,633	(88,436)
Cash used in operations	(5,152,205)	(6,098,686)
Income tax paid	(909,363)	(487,755)
Interest received	23,343	62,303
Net cash used in operating activities	(6,038,225)	(6,524,138)
Cash flows from investing activities		
Dividends received from associated company and listed equity	706,465	435,029
Purchase of property, plant and equipment	(1,296,627)	(2,606,687)
Proceeds from sale of quoted equity shares	697,060	-
Proceeds from sale of property, plant and equipment	48,582	14,103
Net cash from/(used in) investing activities	155,480	(2,157,555)
Cash flows from financing activities		
Dividends paid	(1,599,600)	(1,333,000)
Dividends paid by subsidiary to non-controlling shareholders	(76,854)	-
Repayments of long term bank loans	(250,000)	(853,178)
Proceeds from bills payables	6,364,633	7,959,092
Proceeds from short term bank loans	1,720,496	741,579
Lease liabilities paid	(289,730)	(260,453)
Interest paid	(364,896)	(283,158)
Net cash from financing activities	5,504,049	5,970,882
Net decrease in cash and cash equivalents	(378,696)	(2,710,811)
Cash and cash equivalents, statement of cash flow, beginning balance	11,107,621	15,913,792
Effects of exchange rate changes on cash and cash equivalents	7,617	14,871
Cash and cash equivalents, statement of cash flow, ending balance	10,736,542	13,217,852
Cash and cash equivalents comprised the followings:		
Cash and bank balances	12,162,760	14,102,794
Less: bank overdraft	(1,426,218)	(884,942)
	10,736,542	13,217,852

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1.1 General

Megachem Limited (the “Company”) is incorporated in Singapore with limited liability. The condensed interim financial statements as at and for the half year ended 30 June 2022 financial statements are presented in Singapore dollars and they cover the Company (referred to as “Parent”) and its subsidiaries and associated companies (collectively, the “Group”).

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

1.2 Statement of compliance with financial reporting standards

The condensed interim financial statements for the half year ended 30 June 2022 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and the performance of the Group since the last annual financial statements for the year ended 31 December 2021.

Except as disclosed in Note 1.5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the audited financial statements for the financial year ended 31 December 2021.

1.3 Accounting convention

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

1.4 Basis of preparation of the condensed interim financial statements

The preparation of the condensed interim financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 30 June 2022 and the reported amounts of revenues and expenses for the half year ended 30 June 2022. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.5 Changes in accounting

On 1 January 2022, the Group adopted the new and revised SFRS(I) and the related Interpretations to SFRS(I)s (“SFRS(I) INT”) that are relevant to its operations and mandatory for application from that date. Changes to the Group’s accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective SFRS(I) and SFRS(I) INT.

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

2.1 Critical judgements, assumptions and estimation uncertainties

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

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

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

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

2.2 Fair value measurement

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

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

3. Revenue

	Group unaudited half year ended 30 June	
	2022 S\$	2021 S\$
Sale of goods	73,419,816	63,905,341
Rendering of services	1,754,493	2,004,016
Total sales	<u>75,174,309</u>	<u>65,909,357</u>

(i) Disaggregation of revenue

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

	Sales of goods unaudited half year ended 30 June		Rendering of services unaudited half year ended 30 June	
	2022 S\$	2021 S\$	2022 S\$	2021 S\$
Group				
Primary geographical markets				
Singapore	30,036,696	24,000,290	1,754,493	2,004,016
Rest of geographical areas	<u>43,383,120</u>	<u>39,905,051</u>	<u>—</u>	<u>—</u>
Total sales	<u>73,419,816</u>	<u>63,905,341</u>	<u>1,754,493</u>	<u>2,004,016</u>

(ii) Seasonality of operations

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

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

4. Other income

	Group	
	unaudited half year ended	
	30 June	
	2022	2021
	S\$	S\$
Changes in fair value of financial assets at fair value through profit or loss – listed equity securities	–	200,000
Changes in fair value of financial assets at fair value through profit or loss – forward foreign exchange contract	158,517	42,908
Compensation claims	17,119	–
Gain on disposal of quoted equity shares	147,060	–
Gain on disposal of property, plant and equipment	48,485	14,072
Government grant – others	49,129	32,928
Government grant – Jobs support scheme	–	210,460
Interest income – banks	23,343	53,934
Rental income	8,073	8,205
Trade receivables recovered	283,426	167,816
Total other income	<u>735,152</u>	<u>730,323</u>

5. Finance costs

	Group	
	unaudited half year ended	
	30 June	
	2022	2021
	S\$	S\$
Interest expense		
- Bills payable to banks	222,701	195,310
- Bank loans	154,000	82,141
- Bank overdraft	45,982	19,589
- Lease for right-of-use assets	69,858	74,384
Total finance costs	<u>492,541</u>	<u>371,424</u>

6. Profit before income tax

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

	Group	
	unaudited half year ended	
	30 June	
	2022	2021
	S\$	S\$
Cost of inventories	53,996,040	47,807,356
Changes in fair value of financial liabilities at fair value through profit or loss	448	9,379
Depreciation of investment property	1,513	1,537
Depreciation of property, plant and equipment	428,485	398,754
Depreciation of right-of-use assets	239,823	208,999
Employee compensation	9,106,792	8,742,928
Net foreign exchange loss	469,741	215,900
Impairment of doubtful trade receivables	193,926	80,681
Allowance for inventories	640,988	162,000
Warehouse storage charges	<u>1,488,480</u>	<u>1,284,184</u>

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

7. Income tax expense

	Group unaudited half year ended 30 June	
	2022 S\$	2021 S\$
Current period:		
Current tax expense	920,893	749,765
Deferred tax expense/(benefit)	178,143	(48,557)
Sub-total	1,099,036	701,208
Prior periods:		
Under adjustments for current tax expense	1,641	14,223
Under/(over) adjustments for deferred tax expense	(1,255)	75,095
Sub-total	386	89,318
Total income tax expense	1,099,422	790,526

8. Dividends

	Group and Company unaudited half year ended 30 June	
	2022 S\$	2021 S\$
Final tax exempt dividend paid of 1.2 cents per share (30 June 2021: 1.0 cents per share) in respect of previous reporting year	1,599,600	1,333,000

9. Earnings per ordinary share (in cents)

	Group unaudited half year ended 30 June	
	2022	2021
a) Based on weighted average number of ordinary shares on issue	3.20	2.83
b) On a fully diluted basis	3.20	2.83
Weighted average number of ordinary shares in issue for earnings per share	133,300,000	133,300,000

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

	Group		Company	
	Unaudited 30 June 2022	Audited 31 December 2021	Unaudited 30 June 2022	Audited 31 December 2021
Net asset value per ordinary share based on issued share capital (cents)	44.47	42.95	18.35	17.80
No of ordinary shares used in calculation	133,300,000	133,300,000	133,300,000	133,300,000

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

11. Property, plant and equipment

During the half year ended 30 June 2022, the Group acquired property, plant and equipment with an aggregate cost of S\$1,296,627 (half year ended 30 June 2021: S\$2,707,869), of which S\$Nil (half year ended 30 June 2021: S\$2,539,690) relates to construction in progress.

Capital commitment of the Group as at 30 June 2022 amounted to S\$572,315 (31 December 2021: S\$742,088).

12. Right-of-use assets

During the half year ended 30 June 2022, the Group acquired right-of-use assets with an aggregate cost of S\$8,797 (half year ended 30 June 2021: S\$575,512).

13. Investment property

	Group	
	Unaudited 30 June 2022 S\$	Audited 31 December 2021 S\$
<u>At cost:</u>		
Balance at beginning of reporting period	136,218	138,254
Currency translation differences	(3,481)	(2,036)
Balance at end of reporting period	<u>132,737</u>	<u>136,218</u>
<u>Accumulated depreciation:</u>		
Balance at beginning of reporting period	67,429	65,333
Depreciation charge	1,513	3,065
Currency translation differences	(1,747)	(969)
Balance at end of reporting period	<u>67,195</u>	<u>67,429</u>
<u>Net book value:</u>		
Balance at beginning of reporting period	<u>68,789</u>	<u>72,921</u>
Balance at end of reporting period	<u>65,542</u>	<u>68,789</u>
<u>Fair value:</u>		
Fair value at end of reporting period	<u>304,416</u>	<u>312,399</u>

The fair value (Level 3) was measured based on comparison with market evidence of recent transaction prices for similar properties. The significant observable inputs used in measurement is price per square foot and the weighted average range is S\$215 – S\$231.

14. Inventories

	Group		Company	
	Unaudited 30 June 2022 S\$	Audited 31 December 2021 S\$	Unaudited 30 June 2022 S\$	Audited 31 December 2021 S\$
Finished/trading goods	<u>45,223,470</u>	<u>36,452,737</u>	<u>25,447,519</u>	<u>19,915,170</u>

Inventories are stated after allowance. The allowance as at 30 June 2022 amounted to S\$4,620,581 (31 December 2021: S\$4,001,111) and S\$1,598,000 (31 December 2021: S\$1,071,000) for the Group and the Company respectively.

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

15. Trade and other receivables

	Group		Company	
	Unaudited 30 June 2022 S\$	Audited 31 December 2021 S\$	Unaudited 30 June 2022 S\$	Audited 31 December 2021 S\$
<i>Current :</i>				
<u>Trade receivables:</u>				
Non-related parties	31,359,099	30,939,251	11,452,970	8,738,614
Subsidiaries	–	–	9,827,288	8,534,743
Associated company	49,346	160,059	46,442	155,757
Less: allowance for impairment – non-related parties	(665,989)	(522,572)	(170,551)	(36,805)
Less: allowance for impairment – subsidiaries	–	–	(1,585,000)	(1,585,000)
Net trade receivables – subtotal	30,742,456	30,576,738	19,571,149	15,807,309
<u>Other receivables:</u>				
Loan to subsidiaries	–	–	4,520,721	4,858,226
Subsidiaries	–	–	2,170,433	1,902,285
Associated company	300	–	300	–
Non-related parties	666,513	561,837	52,468	54,745
Less: allowance for impairment - subsidiaries	–	–	(1,758,000)	(1,758,000)
Net other receivables – subtotal	666,813	561,837	4,985,922	5,057,256
Total net trade and other receivables - current	31,409,269	31,138,575	24,557,071	20,864,565
<i>Non-current:</i>				
<u>Other receivables:</u>				
Loan to subsidiaries	–	–	1,476,267	1,589,587
Less: allowance for impairment	–	–	(197,000)	(197,000)
Total other receivables – non-current	–	–	1,279,267	1,392,587
Total trade and other receivables	31,409,269	31,138,575	25,836,338	22,257,152

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

16. Financial assets at fair value through profit and loss

	Group		Company	
	Unaudited 30 June 2022 S\$	Audited 31 December 2021 S\$	Unaudited 30 June 2022 S\$	Audited 31 December 2021 S\$
<i>At fair value:</i>				
Listed equity securities – Singapore (Level 1)	–	550,000	–	550,000
Forward foreign exchange contracts (Level 2)	150,693	14,314	2,871	–
Total financial assets at fair value through profit or loss	150,693	564,314	2,871	550,000

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

17. Share capital

	Group and Company No of shares issued	Share capital \$
Ordinary shares of no par value:		
Balance at 1 January 2022 and 30 June 2022	<u>133,300,000</u>	<u>15,892,028</u>

There have been no changes in the Company's issued share capital since the end of the previous financial year reported on being 31 December 2021.

There were no unissued shares in the capital of the Company reserved for the exercise of any option nor were there any treasury shares as at the end of the reporting periods ended 30 June 2022 and 30 June 2021.

There were no outstanding convertibles and subsidiary holdings as at the end of the reporting periods ended 30 June 2022 and 30 June 2021.

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

18. Borrowings

	Group		Company	
	Unaudited 30 June 2022 S\$	Audited 31 December 2021 S\$	Unaudited 30 June 2022 S\$	Audited 31 December 2021 S\$
<i>Current :</i>				
Bank overdraft (unsecured)	1,426,218	423,967	—	—
Bill payables (unsecured)	20,718,297	15,372,360	18,473,600	11,689,505
Short term bank loans (unsecured)	9,626,656	8,428,405	8,306,590	7,528,405
Long term bank loans (unsecured)	500,000	500,000	500,000	500,000
Unsecured sub-total	<u>32,271,171</u>	<u>24,724,732</u>	<u>27,280,190</u>	<u>19,717,910</u>
Bill payables (secured)	1,375,208	471,332	—	—
Short term bank loans (secured)	2,656,430	2,340,045	—	—
Secured sub-total	<u>4,031,638</u>	<u>2,811,377</u>	<u>—</u>	<u>—</u>
Current, total	<u>36,302,809</u>	<u>27,536,109</u>	<u>27,280,190</u>	<u>19,717,910</u>
<i>Non-current:</i>				
Long term bank loans (unsecured)	<u>1,166,667</u>	<u>1,416,667</u>	<u>1,166,667</u>	<u>1,416,667</u>
Non-current, total	<u>1,166,667</u>	<u>1,416,667</u>	<u>1,166,667</u>	<u>1,416,667</u>
Total borrowings	<u>37,469,476</u>	<u>28,952,776</u>	<u>28,446,857</u>	<u>21,134,577</u>

The secured bill payables and short term bank loans as at 30 June 2022 and 31 December 2021 are collateralized on fixed and floating charges over all the assets and undertaking of certain subsidiaries, including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future.

The Group and the Company are in compliance with all externally imposed capital requirements for the half year ended 30 June 2022.

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

19. Trade and other payables

	Group		Company	
	Unaudited 30 June 2022 S\$	Audited 31 December 2021 S\$	Unaudited 30 June 2022 S\$	Audited 31 December 2021 S\$
<u>Trade payables:</u>				
Non-related parties	8,961,865	8,328,657	5,275,208	3,546,554
Associated company	12,751	–	–	–
Subsidiaries	–	–	505,047	920,273
Trade payables – subtotal	<u>8,974,616</u>	<u>8,328,657</u>	<u>5,780,255</u>	<u>4,466,827</u>
<u>Other payables:</u>				
Associated company	4,220	4,098	1,277	1,240
Subsidiaries	–	–	164,921	95,973
Loan from subsidiary	–	–	1,386,827	1,485,770
Advance payments from customers	179,839	405,827	15,375	3,210
Advance payments from subsidiary	–	–	–	466,281
Accrued liabilities	4,718,180	6,371,360	2,381,489	3,269,178
Deferred income	–	–	311,107	–
Other payables	<u>2,869,054</u>	<u>2,896,270</u>	<u>1,286,287</u>	<u>918,768</u>
Other payables – subtotal	<u>7,771,293</u>	<u>9,677,555</u>	<u>5,547,283</u>	<u>6,240,420</u>
Total trade and other payables	<u>16,745,909</u>	<u>18,006,212</u>	<u>11,327,538</u>	<u>10,707,247</u>

20. Financial liabilities at fair value through profit and loss

	Group		Company	
	Unaudited 30 June 2022 S\$	Audited 31 December 2021 S\$	Unaudited 30 June 2022 S\$	Audited 31 December 2021 S\$
<u>At fair value:</u>				
Forward foreign exchange contracts (Level 2)	424	34,992	–	8,238
Total financial liabilities at fair value through profit or loss	<u>424</u>	<u>34,992</u>	<u>–</u>	<u>8,238</u>

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

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

The fair value of listed equity is based on market prices at the end of the reporting period.

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

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

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

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

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

21. Fair value measurements recognised in the statements of financial position (cont'd)

<u>Group</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
As at 30 June 2022	S\$'000	S\$'000	S\$'000	S\$'000
<u>Financial assets at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	151	–	151
Total	–	151	–	151
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	–	–	–
Total	–	–	–	–
As at 31 December 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Financial assets at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	14	–	14
Quoted equity shares in corporations	550	–	–	550
Total	550	14	–	564
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	35	–	35
Total	–	35	–	35
<u>Company</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
As at 30 June 2022	S\$'000	S\$'000	S\$'000	S\$'000
<u>Financial assets at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	3	–	3
Total	–	3	–	3
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	–	–	–
Total	–	–	–	–
As at 31 December 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Financial assets at fair value through profit or loss:</u>				
Quoted equity shares in corporations	550	–	–	550
Total	550	–	–	550
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	8	–	8
Total	–	8	–	8

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy.

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

22. Categories of financial assets and liabilities

	Group		Company	
	Unaudited 30 June 2022 S\$'000	Audited 31 December 2021 S\$'000	Unaudited 30 June 2022 S\$'000	Audited 31 December 2021 S\$'000
<u>Financial assets</u>				
Financial assets at amortised cost	43,572	42,670	28,403	23,960
Financial assets at FVTPL	151	564	3	550
At end of the reporting period	<u>43,723</u>	<u>43,234</u>	<u>28,406</u>	<u>24,510</u>
<u>Financial liabilities</u>				
Financial liabilities at amortised cost	56,801	49,487	40,542	32,473
Financial liabilities at FVTPL	—	35	—	8
At end of the reporting period	<u>56,801</u>	<u>49,522</u>	<u>40,542</u>	<u>32,481</u>

23. Contingent liabilities

	Company	
	Unaudited 30 June 2022 S\$'000	Audited 31 December 2021 S\$'000
Undertaking to provide continuing financial support to subsidiaries with net liabilities amounted to:		
Megachem Australia Pty Ltd (formerly known as MG Chemicals (Australia) Pty Ltd)	2,741	2,725
Corporate guarantee provided to banks on subsidiaries' loans payable	<u>9,023</u>	<u>7,818</u>

24. Related party transactions

	Group unaudited half year ended 30 June	
	2022 S\$	2021 S\$
<u>Associated companies</u>		
Sales of inventories	228,341	253,612
Purchases of inventories	<u>(47,071)</u>	<u>(38,601)</u>
<u>Related parties</u>		
Purchases of inventories(a)	<u>(288,403)</u>	<u>—</u>

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

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

24. Related party transactions (cont'd)

Shareholders' mandate was obtained for interested person transactions with Chori Co., Ltd and its related corporations. There is no sales to Chori Co., Ltd and its corporation under shareholders' mandate pursuant to Rule 920 in the half year ended 30 June 2022.

The Group purchased products from Chori Co., Ltd and its related corporations amounting to S\$288,403 in the half year ended 30 June 2022.

Name of interested person	Aggregate value of all interested person transactions during the reporting period ended 30 June 2022 under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the reporting period ended 30 June 2022 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Sales of products to Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	Nil	Nil
Purchase of products from Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	Nil	S\$105,421

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

25. Financial information by operating segments

	<u>Singapore</u> S\$'000	<u>Malaysia</u> S\$'000	<u>United Kingdom</u> S\$'000	<u>China</u> S\$'000	<u>Others</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
For the reporting period							
30 June 2022							
Sales							
Total sales by segment	37,665	7,639	11,052	6,269	22,135	-	84,760
Inter-segment sales	(5,874)	(101)	(1,116)	(2,383)	(112)	-	(9,586)
	<u>31,791</u>	<u>7,538</u>	<u>9,936</u>	<u>3,886</u>	<u>22,023</u>	<u>-</u>	<u>75,174</u>
Segment result	2,037	1,185	436	255	1,390		5,303
Interest income - bank						23	23
Finance costs						(493)	(493)
Share of profit of associated companies						<u>724</u>	<u>724</u>
Profit before income tax						254	5,557
Income tax expense						(1,099)	(1,099)
Net profit	<u>2,037</u>	<u>1,185</u>	<u>436</u>	<u>255</u>	<u>1,390</u>	<u>(845)</u>	<u>4,458</u>
Other segment items							
Capital expenditure	554	642	5	3	93	-	1,297
Depreciation	<u>334</u>	<u>97</u>	<u>41</u>	<u>38</u>	<u>159</u>	<u>-</u>	<u>669</u>
	<u>Singapore</u> S\$'000	<u>Malaysia</u> S\$'000	<u>United Kingdom</u> S\$'000	<u>China</u> S\$'000	<u>Others</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets	49,923	17,730	9,328	4,859	28,679	-	110,519
Associated companies						7,759	7,759
Deferred tax assets						457	457
Interest earning cash balances						<u>1,354</u>	<u>1,354</u>
Consolidated total assets	<u>49,923</u>	<u>17,730</u>	<u>9,328</u>	<u>4,859</u>	<u>28,679</u>	<u>9,570</u>	<u>120,089</u>
Segment liabilities	(12,227)	(899)	(2,150)	(1,215)	(3,021)	-	(19,512)
Borrowings						(37,470)	(37,470)
Current income tax liabilities						(574)	(574)
Consolidated total liabilities	<u>(12,227)</u>	<u>(899)</u>	<u>(2,150)</u>	<u>(1,215)</u>	<u>(3,021)</u>	<u>(38,044)</u>	<u>(57,556)</u>

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

25. Financial information by operating segments (cont'd)

	<u>Singapore</u> S\$'000	<u>Malaysia</u> S\$'000	<u>United Kingdom</u> S\$'000	<u>China</u> S\$'000	<u>Others</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
For the reporting period							
30 June 2021							
Sales							
Total sales by segment	30,941	8,147	11,831	7,014	15,801	-	73,734
Inter-segment sales	(4,937)	(272)	(1,294)	(1,222)	(100)	-	(7,825)
	<u>26,004</u>	<u>7,875</u>	<u>10,537</u>	<u>5,792</u>	<u>15,701</u>	<u>-</u>	<u>65,909</u>
Segment result	1,650	1,281	331	253	545	-	4,060
Interest income - bank						54	54
Finance costs						(371)	(371)
Share of profit of associated companies						<u>827</u>	<u>827</u>
Profit before income tax						510	4,570
Income tax expense						(791)	(791)
Net profit	<u>1,650</u>	<u>1,281</u>	<u>331</u>	<u>253</u>	<u>545</u>	<u>(281)</u>	<u>3,779</u>
Other segment items							
Capital expenditure	112	2,540	-	-	56	-	2,708
Depreciation	<u>329</u>	<u>57</u>	<u>55</u>	<u>45</u>	<u>123</u>	<u>-</u>	<u>609</u>
	<u>Singapore</u> S\$'000	<u>Malaysia</u> S\$'000	<u>United Kingdom</u> S\$'000	<u>China</u> S\$'000	<u>Others</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets	39,076	16,112	7,649	5,283	22,268	-	90,388
Associated companies						7,627	7,627
Deferred tax assets						535	535
Interest earning cash balances						<u>3,243</u>	<u>3,243</u>
Consolidated total assets	<u>39,076</u>	<u>16,112</u>	<u>7,649</u>	<u>5,283</u>	<u>22,268</u>	<u>11,405</u>	<u>101,793</u>
Segment liabilities	(8,945)	(531)	(2,914)	(764)	(2,866)	-	(16,020)
Borrowings						(27,908)	(27,908)
Current income tax liabilities						(461)	(461)
Consolidated total liabilities	<u>(8,945)</u>	<u>(531)</u>	<u>(2,914)</u>	<u>(764)</u>	<u>(2,866)</u>	<u>(28,369)</u>	<u>(44,389)</u>

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

25. Financial information by operating segments (cont'd)

	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
For the reporting period				
30 June 2022				
Sales				
Total sales by segment	73,195	2,431	-	75,626
Inter-segment sales	(21)	(431)	-	(452)
	<u>73,174</u>	<u>2,000</u>	<u>-</u>	<u>75,174</u>
Segment result	4,988	315	-	5,303
Interest income - bank			23	23
Finance costs			(493)	(493)
Share of profit of associated companies			<u>724</u>	<u>724</u>
Profit before income tax			254	5,557
Income tax expense			<u>(1,099)</u>	<u>(1,099)</u>
Net profit	<u>4,988</u>	<u>315</u>	<u>(845)</u>	<u>4,458</u>
Other segment items				
Capital expenditure	1,157	140	-	1,297
Depreciation	<u>520</u>	<u>149</u>	<u>-</u>	<u>669</u>
	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets	103,804	6,715	-	110,519
Associated companies			7,759	7,759
Deferred tax assets			457	457
Interest earning cash balances			<u>1,354</u>	<u>1,354</u>
Consolidated total assets	<u>103,804</u>	<u>6,715</u>	<u>9,570</u>	<u>120,089</u>
Segment liabilities	(17,630)	(1,882)	-	(19,512)
Borrowings			(37,470)	(37,470)
Current income tax liabilities			<u>(574)</u>	<u>(574)</u>
Consolidated total liabilities	<u>(17,630)</u>	<u>(1,882)</u>	<u>(38,044)</u>	<u>(57,556)</u>

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

25. Financial information by operating segments (cont'd)

	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
For the reporting period				
30 June 2021				
Sales				
Total sales by segment	63,522	2,754	-	66,276
Inter-segment sales	(77)	(290)	-	(367)
	<u>63,445</u>	<u>2,464</u>	<u>-</u>	<u>65,909</u>
Segment result	3,746	314	-	4,060
Interest income - bank			54	54
Finance costs			(371)	(371)
Share of profit of associated companies			827	827
Profit before income tax			<u>510</u>	<u>4,570</u>
Income tax expense			(791)	(791)
Net profit	<u>3,746</u>	<u>314</u>	<u>(281)</u>	<u>3,779</u>
Other segment items				
Capital expenditure	2,698	10	-	2,708
Depreciation	464	145	-	609
	<u>2,698</u>	<u>145</u>	<u>-</u>	<u>2,708</u>
	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets	83,099	7,289	-	90,388
Associated companies			7,627	7,627
Deferred tax assets			535	535
Interest earning cash balances			3,243	3,243
Consolidated total assets	<u>83,099</u>	<u>7,289</u>	<u>11,405</u>	<u>101,793</u>
Segment liabilities	(14,259)	(1,761)	-	(16,020)
Borrowings			(27,908)	(27,908)
Current income tax liabilities			(461)	(461)
Consolidated total liabilities	<u>(14,259)</u>	<u>(1,761)</u>	<u>(28,369)</u>	<u>(44,389)</u>

OTHER INFORMATION

AUDIT

The statements of financial position as at 30 June 2022 and the related consolidated statement of profit or loss, consolidated statement of comprehensive income, statements of changes in equity and consolidated statement of cash flows for the half year period then ended and the selected explanatory notes (the "Condensed Interim Financial Statements") have not been audited or reviewed by the Company's auditors.

REVIEW OF PERFORMANCE

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

Profitability Highlights	H1 2022	H1 2021	Variance H1 2022 vs H1 2021		H2 2021	Variance H1 2022 vs H2 2021	
			Fav/(Unfav)	%		Fav/(Unfav)	%
Sales (S\$mil)	75.2	65.9	9.3	14.1%	73.0	2.2	3.0%
Gross profit (S\$mil)	18.6	16.4	2.2	13.6%	17.7	0.9	5.1%
Gross profit margin	24.8%	24.9%	(0.1% pts)	na	24.3%	0.5% pts	na
Total operating expenses and finance costs (S\$mil)	14.5	13.4	(1.1)	(8.5%)	14.3	(0.2)	(1.2%)
Other income (S\$'000)	735	730	5	0.7%	460	275	59.9%
Share of profit of associated companies (S\$'000)	724	827	(103)	(12.5%)	788	(64)	(8.1%)
Profit before income tax (S\$mil)	5.6	4.6	1.0	21.6%	4.6	1.0	20.4%
Net profit (S\$mil)	4.5	3.8	0.7	18.0%	4.2	0.3	5.9%
Net profit margin	5.9%	5.7%	0.2% pts	na	5.8%	0.1% pts	na
EBITDA (S\$mil)	6.7	5.5	1.2	21.8%	5.6	1.1	19.2%
EBITDA margin	8.9%	8.3%	0.6% pts	na	7.7%	1.2% pts	na
Earnings per share attributable to the equity holders of the Company (cents)	3.20	2.83	0.37	13.1%	2.99	0.21	7.0%
Annualised return on equity (ROE)	14.4%	13.8%	0.6% pts	na	13.9%	0.5% pts	na

na : not applicable

REVIEW OF PERFORMANCE (cont'd)

Profitability Review

(a) Sales

	H1 2022 S\$'000	H1 2021 S\$'000	Variance Fav/(Unfav)		H2 2021 S\$'000	Variance Fav/(Unfav)	
			H1 2022 vs H1 2021 S\$'000	%		H1 2022 vs H2 2021 S\$'000	%
ASEAN	45,692	39,122	6,570	16.8	37,274	8,418	22.6
Europe	9,395	8,292	1,103	13.3	10,275	(880)	(8.6)
Middle East	6,478	3,665	2,813	76.8	5,383	1,095	20.3
North Asia	5,452	7,670	(2,218)	(28.9)	9,281	(3,829)	(41.3)
Australia	4,184	4,355	(171)	(3.9)	6,538	(2,354)	(36.0)
South Asia	3,691	2,660	1,031	38.8	3,708	(17)	(0.5)
America	127	131	(4)	(3.1)	486	(359)	(73.9)
Africa	155	14	141	NM	48	107	222.9
Total	75,174	65,909	9,265	14.1	72,993	2,181	3.0

Geographic Segment Sales Analysis

H1 2022 vs H2 2021

As prices continue to hold up while demand remained steady in the first half of 2022 ("H1 2022"), sales in H1 2022 grew marginally over the second half of 2021 ("H2 2021") to set a new record high. The biggest growth came from ASEAN market which recorded a jump in sales of S\$8.4 million or 22.6%. Sales to Middle East market performed better as well, recording an increase of S\$1.1 million or 20.3% compared to H2 2021.

On the other hand, sales to North Asia, which were partly affected by the disruption caused by the resurgence of COVID-19 in China, and Australia markets decreased by S\$3.8 million or 41.3% and S\$2.4 million or 36.0% respectively over H2 2021. Sales to Europe declined by a smaller magnitude of S\$0.9 million or 8.6%.

This resulted in a marginal increase in total sales of 3.0% to S\$75.2 million in H1 2022 vis-à-vis sales of S\$73.0 million in H2 2021.

H1 2022 vs H1 2021

As compared to the first half of 2021 ("H1 2021"), total sales increased by S\$9.3 million or 14.1%. Sales grew across various markets except for North Asia and Australia. Growth was the strongest in ASEAN market followed by Middle East, Europe and South Asia markets. Sales to ASEAN and Middle East markets grew by S\$6.6 million or 16.8% and S\$2.8 million or 76.8% respectively while sales to Europe and South Asia picked up by S\$1.1 million and S\$1.0 million each. Sales to America were relatively unchanged in both periods.

On the other hand, sales to North Asia market contracted by S\$2.2 million or 28.9% year-on-year partly due to reason as explained above while Australia market decreased marginally by S\$0.2 million or 3.9%.

Business Activity Segment Sales Breakdown

	H1 2022 S\$'000	H1 2021 S\$'000	Variance Fav/(Unfav)		H2 2021 S\$'000	Variance Fav/(Unfav)	
			H1 2022 vs H1 2021 S\$'000	%		H1 2022 vs H2 2021 S\$'000	%
Distribution activity	73,174	63,445	9,729	15.3	70,465	2,709	3.8
Manufacturing activity	2,000	2,464	(464)	(18.8)	2,528	(528)	(20.9)
Total Sales	75,174	65,909	9,265	14.1	72,993	2,181	3.0

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(a) Sales (cont'd)

H1 2022 vs H2 2021

H1 2022 vs H1 2021

H1 2022 sales from distribution segment increased by S\$2.7 million or 3.8% and S\$9.7 million or 15.3% over H2 2021 and H1 2021 respectively.

Sales from the contract manufacturing segment decreased by S\$0.5 million as compared to H2 2021 and H1 2021 or 20.9% and 18.8% respectively.

(b) Gross profit

H1 2022 vs H2 2021

H1 2022 vs H1 2021

Gross profit margin improved slightly in H1 2022 (24.8%) as compared to H2 2021 (24.3%) and was relatively flat year-on-year (H1 2021 : 24.9%). Higher gross profit margin was recorded across various markets but higher allowance for inventory was also recorded in H1 2022.

As sales achieved in H1 2022 were higher as compared to H2 2021 and H1 2021, gross profit increased by S\$0.9 million or 5.1% over H2 2021 and S\$2.2 million or 13.6% vis-à-vis H1 2021.

(c) Other income

	Variance Fav/(Unfav)				Variance Fav/(Unfav)		
	H1 2022	H1 2021	H1 2022 vs H1 2021	H2 2021	H1 2022 vs H2 2021		
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Change in fair value of financial assets at fair value through profit or loss							
- forward foreign exchange contracts	159	43	116	269.4	14	145	NM
- listed equity security	-	200	(200)	(100.0)	-	-	-
Compensation claims	17	-	17	NM	129	(112)	(86.7)
Gain on disposal of quoted equity shares	147	-	147	NM	-	147	NM
Gain on disposal of plant and equipment	48	14	34	244.5	-	48	NM
Grant income	49	243	(194)	(79.8)	77	(28)	(36.0)
Interest income	23	54	(31)	(56.7)	35	(12)	(32.7)
Net foreign exchange gain	-	-	-	-	21	(21)	(100.0)
Trade receivables recovered	283	168	115	68.9	170	113	66.9

NM : not meaningful

H1 2022 vs H2 2021

Other income in H1 2022 increased by S\$276,000 or 59.9% as compared to H2 2021. This was mainly due to higher trade receivables recovered of S\$113,000, higher fair value gain of S\$145,000 from forward exchange contracts, higher gain on disposal of plant and equipment of S\$48,000 and gain on disposal of quoted equity shares of S\$147,000.

The increase was partly offset by lower compensation claims of S\$112,000, lower grant income of S\$28,000 and the absence of net foreign exchange gain of S\$21,000.

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(c) Other income (cont'd)

H1 2022 vs H1 2021

Other income increased marginally by S\$5,000 year-on-year. Higher trade receivables recovered of S\$115,000, higher fair value gain of S\$116,000 from forward exchange contracts, higher gain on disposal of plant and equipment of S\$34,000 and gain on disposal of quoted equity shares of S\$147,000 were recorded in H1 2022.

The increase was partly offset by lower grant income of S\$194,000 and the absence of fair value gain of S\$200,000 arising from quoted equity shares.

(d) Operating expenses

			Variance Fav/(Unfav)		Variance Fav/(Unfav)		
	H1 2022	H1 2021	H1 2022 vs H1 2021		H2 2021	H1 2022 vs H2 2021	
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	
Change in fair value of financial liabilities at fair value through profit or loss							
- forward foreign exchange contracts	-	9	9	95.2	35	35	98.7
Depreciation of property, plant and equipment	428	399	(29)	(7.5)	364	(64)	(17.7)
Depreciation of right-of-use assets	240	209	(31)	(14.7)	239	(1)	(0.4)
Employee compensation	8,593	8,275	(318)	(3.8)	9,389	796	8.5
Impairment of doubtful trade receivables	194	81	(113)	(140.7)	19	(175)	NM
Net foreign exchange loss	470	216	(254)	(117.6)	-	(470)	NM
Warehouse storage charges	1,488	1,284	(204)	(15.9)	1,320	(168)	(12.8)

H1 2022 vs H2 2021

Total operating expenses for H1 2022 were relatively stable at S\$14.0 million as compared to S\$13.9 million for H2 2021.

In tandem with an increase in inventory level, higher warehouse storage charges of S\$0.2 million were recorded while higher impairment of doubtful trade receivables of S\$0.2 million was mainly due to an exposure to a customer in Sri Lanka. As construction of warehouse in Malaysia was completed in H1 2022, depreciation for the property, plant and machinery commenced in H1 2022.

In addition, net foreign exchange loss of S\$470,000 was recorded in H1 2022 as opposed to net foreign exchange gain of S\$21,000 recorded as other income in H2 2021.

The increase was partly offset by lower employee compensation of S\$0.8 million.

H1 2022 vs H1 2021

Year-on-year, total operating expenses increased by S\$1.0 million or 7.8% as compared to S\$13.0 million for H1 2021.

Higher employee compensation of S\$0.3 million, which was in line with better performance in H1 2022, and higher net foreign exchange loss of S\$0.3 million was recorded.

Reasons for the increase in warehouse storage charges, impairment of doubtful trade receivables and depreciation of property, plant and equipment were the same as above.

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(e) Finance costs

Finance costs comprised the following:-

	H1 2022 S\$'000	H1 2021 S\$'000	Variance Fav/(Unfav) H1 2022 vs H1 2021		H2 2021 S\$'000	Variance Fav/(Unfav) H1 2022 vs H2 2021	
			S\$'000	%		S\$'000	%
Bills payables	223	195	(28)	(14.0)	164	(59)	(36.3)
Bank loans	154	82	(72)	(87.5)	156	2	1.1
Bank overdraft	46	20	(26)	(134.7)	40	(6)	(14.0)
Leases for right-of-use assets	70	74	4	6.1	73	3	4.6
Total finance costs	493	371	(122)	(32.6)	433	(60)	(13.8)

H1 2022 vs H2 2021

H1 2022 vs H1 2021

Finance costs for H1 2022 increased by S\$60,000 or 13.8% and S\$122,000 or 32.6% over H2 2021 and H1 2021 respectively mainly due to higher interest rates and higher trade borrowings to finance higher purchases.

(f) Share of profit of associated companies

H1 2022 vs H2 2021

Our share of profit of associated companies decreased by S\$64,000 or 8.1% as compared to H2 2021.

H1 2022 vs H1 2021

Vis-à-vis H1 2021, our share of profit of associated companies decreased by S\$103,000 or 12.5%.

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

H1 2022 vs H2 2021

Due to higher gross profit achieved, profit before tax and EBITDA increased by S\$1.0 million or 20.4% and S\$1.1 million or 19.2% respectively as compared to H2 2021.

Income tax expense were higher by S\$0.7 million or 171.4% partly due to higher net profit before tax as well as prior year income tax credit adjustments in H2 2021. As a result, net profit after increased by S\$0.3 million or 5.9% over H2 2021.

H1 2022 vs H1 2021

Profit before tax and EBITDA increased by S\$1.0 million or 21.6% and S\$1.2 million or 21.8% respectively vis-à-vis H1 2021 mainly due to an increase in gross profit of S\$2.2 million offset by higher operating expenses and finance costs of S\$1.1 million.

Correspondingly, income tax expense increased by S\$0.3 million or 39.1%. As a result, net profit after tax were S\$0.7 million or 18.0% higher.

Excluding grant income, profit before tax would have increased by S\$1.2 million or 27.3% while net profit after tax would be higher by S\$0.9 million or 24.6%.

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(h) Total comprehensive income

Translation gains or losses arise from translation of foreign currency denominated asset and liabilities of subsidiaries and associated companies. Translation losses recorded for H1 2022 of S\$0.6 million was largely due to the depreciation of Thai Baht, Malaysian Ringgit and Sterling Pound against Singapore Dollar.

H1 2022 vs H2 2021

Comprehensive income for H1 2022 decreased by S\$0.2 million or 5.7% due to higher translation losses of S\$0.5 million incurred in H1 2022 as compared to H2 2021.

H1 2022 vs H1 2021

Year-on-year, comprehensive income for H1 2022 increased by S\$0.4 million or 10.8% due to higher translation losses of S\$0.3 million incurred in H1 2022.

Financial Position Review

Financial Position Highlights	As at		Variance 30 June 2022 vs 31 December 2021 Fav/(Unfav)
	30 June 2022	31 December 2021	
Cash (S\$'mil)	12.2	11.5	0.7
Borrowings (S\$'mil)	37.5	28.9	(8.6)
Current ratio (times)	1.7	1.8	(0.1)
Gearing ratio (times)	0.63	0.51	(0.12)
Net gearing ratio (times)	0.43	0.30	(0.13)
Net assets per share attributable to equity holders of the Company (cents)	44.47	42.95	1.52
Inventory turnover (days)	145	120	(25)
Trade receivables turnover (days)	76	73	(3)
Trade payable turnover (days)	25	24	1

REVIEW OF PERFORMANCE (cont'd)

Financial Position Review (cont'd)

(i) Property, plant and equipment

The carrying value of property, plant and equipment increased by S\$0.6 million from S\$15.2 million as at 31 December 2021 to S\$15.9 million as at 30 June 2022. The increase was due to additional capital expenditure of S\$1.3 million for plant and machinery, motor vehicles, computers, fixture and fittings offset by depreciation charge of S\$0.4 million and foreign exchange translation loss of S\$0.2 million for the current reporting period.

(j) Right-of-use assets

The carrying value of right-of-use assets decreased by S\$0.2 million from S\$2.8 million as at 31 December 2021 to S\$2.6 million as at 30 June 2022 mainly due to depreciation charge of S\$0.2 million in the current reporting period.

(k) Investment in associated companies

The carrying value of investment in associated companies decreased by S\$0.2 million from S\$8.0 million as at 31 December 2021 to S\$7.8 million as at 30 June 2022. The positive contribution from operation in the current reporting period of S\$0.7 was offset by dividend return of S\$0.7 million and foreign exchange translation loss of S\$0.2 million.

(l) Trade and other receivables

Net trade receivables increased marginally by S\$0.2 million or 0.5% from S\$30.6 million as at 31 December 2021 to S\$30.7 million as at 30 June 2022. The increase was because of higher sales in H1 2022 as compared to H2 2021. Turnover days increased by 3 days from 73 days for the full year of 2021 to 76 days for H1 2022.

(m) Inventories

Inventories increased by S\$8.8 million or 24.1% from S\$36.5 million as at 31 December 2021 to S\$45.2 million as at 30 June 2022. The increase in inventory was due to higher level of purchases to support higher sales to ensure continuity of supply to customers. Inventory turnover days increased by 25 days from 120 days for the full year of 2021 to 145 days for H1 2022.

(n) Other current assets

Other current assets decreased by S\$0.1 million or 3.2% to S\$4.4 million as at 30 June 2022 primarily due to lower advance payments to vendors.

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

The carrying value of financial assets at fair value through profit or loss decreased by S\$0.4 million mainly due to disposal of quoted equity shares offset by higher fair value gain from forward foreign exchange contracts recorded in H1 2022.

Financial liabilities at fair value through profit or loss were not significant as at 30 June 2022 and 31 December 2021.

REVIEW OF PERFORMANCE (cont'd)

Financial Position Review (cont'd)

(p) Trade and other payables

Total trade payables increased by S\$0.6 million or 7.8% from S\$8.3 million as at 31 December 2021 to S\$9.0 million as at 30 June 2022 as turnover days increased to 25 days as compared to 24 days for the full year of 2021.

Other payables in aggregate decreased by S\$1.9 million from S\$9.7 million as at 31 December 2021 to S\$7.8 million as at 30 June 2022 mainly due to lower accrued liabilities and lower advance payments from customers.

(q) Financial liabilities - lease liabilities

The carrying value of lease liabilities decreased from S\$2.9 million as at 31 December 2021 to S\$2.8 million as at 30 June 2022 mainly due to accretion of interest of S\$70,000 offset by repayment of lease liabilities of S\$0.3 million in H1 2022.

(r) Borrowings

Total borrowings increased by S\$8.6 million or 29.4% from S\$28.9 million as at 31 December 2021 to S\$37.5 million as at 30 June 2022. This increase was mainly in trade borrowings and short term bank loans to finance higher working capital requirement corresponding to an increase in sales level.

In line with higher total borrowings, our gearing and net gearing ratio increased from 0.51 times and 0.30 times as at 31 December 2021 to 0.63 times and 0.43 times as at 30 June 2022 respectively.

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

Net asset value per share increased from 42.95 cents as at 31 December 2021 to 44.47 cents as at 30 June 2022 primarily due to total comprehensive income recorded for equity holders for the current reporting period of S\$3.6 million less dividend payment of S\$1.6 million.

Cashflow Review

Negative cash flow from operating activities of S\$6.0 million was generated in H1 2022 despite recording net profit after tax of S\$4.5 million in H1 2022. This was due to higher working capital requirements (ie higher trade receivables, higher purchases of inventory, higher advance payments to vendors) corresponding to an increase in business activities. The higher working capital requirements were financed through trade borrowings.

Other major cash outflows under investing and financing activities in H1 2022 were payments for property, plant and equipment of S\$1.3 million and payment of dividend of S\$1.6 million. This was partially offset by cash inflows consisting of dividend received from associated company of S\$0.7 million and proceeds from disposal of quoted equity shares of S\$0.7 million.

As such, overall cash and cash equivalents decreased by S\$0.4 million from S\$11.1 million as at 31 December 2021 to S\$10.7 million as at 30 June 2022.

RISK

We believe the imminent risks to our financial performance in the second half of 2022 (“H2 2022”) are as follows:

COVID-19

Following the acceleration of vaccination against COVID-19 and easing of COVID-19 restrictions, global economy began its economic recovery. However, any resurgence of COVID-19 variants remains a threat to economic recovery and the chemical industry.

Inflationary pressure and Tightening of Monetary Policies

As global economy recovers, central banks have started tapering their government stimulus and tightening monetary policies in 2022 in response to surging inflation which may dampen global economic growth. Inevitably, the impact will be felt in the chemical industry which may in turn have an adverse effect on our performance.

Product Shortages & Supply Chain Risk

The pandemic has led to a critical shortage of products and shipping capacity in 2021, posing challenges to supply of our products and inventory management. Following the Russia-Ukraine and resurgence of COVID-19 in China, supply disruption remains a risk in H2 2022.

Soaring energy prices

Oil prices has staged a remarkable rebound since 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, though not immune to oil price fluctuations, are less susceptible in comparison to bulk commodity chemicals due to the fact that they are more downstream product whose usage in the finished product is smaller.

Currency risk

We operate internationally and therefore are exposed to foreign currency risks arising from various currency exposures. The currency market remains volatile and difficult to predict. 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. Surging inflationary pressure is leading to aggressive interest rates hike which will increase our borrowing cost.

Credit risk

Our products are sold to more than 2,000 customers across many countries. Although there is no significant concentration of credit risk, the credit risks in some countries are more difficult to assess. Some customers may also face financial stress caused by the pandemic. Any significant payment default will negatively impact our financial performance.

Country risk

Our products are sourced and sold globally. Our business may be affected if any of our markets suffer significant escalation in country risk.

RISK (cont'd)

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 might have 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 supportive throughout this pandemic.

PROSPECTS

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

Economy

Fears of recession have been surfacing lately on the back of the Russia-Ukraine war, resurgence of coronavirus in China, rising oil prices and surging inflation. There are concerns that tighter monetary policies and higher interest rates to tame inflation may push the global economy into a recession. However accelerated COVID-19 vaccination and easing of COVID-19 restrictions has led to strong demand recovery which continue to pave the way for further economic growth albeit at a slower pace.

Chemical Industry

Supply chain challenges which the chemical industry experienced in 2021 persisted into 2022 following Russia attack on Ukraine and lockdowns in some parts of China because of resurgence of COVID-19. Despite ongoing supply chain constraints, the chemical industry delivered positive growth in the first half of this year as it benefited from inventory rebuilding and increase in demand across many end-use industries.

If overly aggressive increases in interest rates tip the economy into a recession in H2 2022, the chemical industry will be inevitably impacted.

Megachem

Even though headwinds to growth are emerging after solid recovery, Megachem's long term growth strategy remains solid and robust anchored on diversified business model and resilience.

DIVIDEND

(a) Current financial year reported on

Any interim dividend declared for the financial period ended? Yes

The directors are pleased to declare an interim tax exempt dividend of 0.8 cent per share in respect of the financial period ended 30 June 2022 as follows:

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

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the immediately preceding financial period ended 30 June 2021? Yes

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

(c) Date payable

The interim tax exempt dividend of 0.8 cent per share in respect of the financial period ended 30 June 2022 will be paid on 26 October 2022.

(d) Record date

The Share Transfer Books and Register of Members of the Company will be closed on 4 October 2022 for the purpose of determining member's entitlements to the proposed interim tax exempt dividend.

Duly completed and stamped transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd), 80 Robinson Road, #02-00 Singapore 068898, up to 5.00pm on 3 October 2022 (the "Record Date") will be registered to determine member's entitlements to the proposed dividend.

Members (being depositors) whose securities account with The Central Depository (Pte) Limited are credited with ordinary shares as at Record Date will be entitled to the payment of the proposed dividend.

Payment of the interim tax exempt dividend of 0.8 cent per share will be made on 26 October 2022.



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

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

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

There were no acquisitions or realization of shares nor incorporation of any new subsidiary or associated company by the Company or any of the Group entities during H1 2022.

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

I, Chew Choon Tee, being the Managing Director of Megachem Limited, do hereby confirm on behalf of the Board of Directors that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited results for the half year ended 30 June 2022 to be false or misleading in any material aspects and the financial statements are in compliance with relevant accounting standards.

On behalf of the Board of Directors

Chew Choon Tee
Managing Director

11 August 2022