



MEGACHEM LIMITED

Condensed Interim Financial Statements

For The Second Half Year and Full
Year Ended
31 December 2023

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**CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE SECOND HALF YEAR AND FULL YEAR ENDED 31 DECEMBER 2023**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/(INCOME) FOR THE SECOND
HALF YEAR ENDED 31 DECEMBER 2023**

		Unaudited For the half year ended 31 December 2023	Unaudited For the half year ended 31 December 2022	Variance Favourable/(Unfavourable)	
Note	S\$	S\$	S\$	%	
Revenue	3	62,324,259	68,546,280	(6,222,021)	(9.1%)
Cost of sales		<u>(53,192,568)</u>	<u>(52,761,006)</u>	(431,562)	(0.8%)
Gross profit		9,131,691	15,785,274	(6,653,583)	(42.2%)
Other income	4	3,347,546	515,621	2,831,925	> 100.0%
Distribution costs		(13,254,015)	(8,229,287)	(5,024,728)	(61.1%)
Administrative expenses		(3,311,470)	(3,117,481)	(193,989)	(6.2%)
Other operating expenses		(2,025,396)	(2,192,006)	166,610	7.6%
Finance costs	5	(1,040,671)	(884,889)	(155,782)	(17.6%)
Share of profit of associated companies		554,768	395,559	159,209	40.2%
(Loss)/profit before income tax	6	<u>(6,597,547)</u>	<u>2,272,791</u>	(8,870,338)	NM
Income tax expense	7	<u>(134,783)</u>	<u>(663,925)</u>	529,142	79.7%
Net (loss)/profit		<u>(6,732,330)</u>	<u>1,608,866</u>	(8,341,196)	NM
Other comprehensive income:					
Exchange differences on translating foreign operations, net of tax		<u>(476,550)</u>	<u>(1,335,008)</u>	858,458	64.3%
Total comprehensive (loss)/income		<u>(7,208,880)</u>	<u>273,858</u>	(7,482,738)	NM
Net (loss)/profit attributable to:					
Equity holders of the Company		(6,726,356)	1,615,572	(8,341,928)	NM
Non-controlling interests		<u>(5,974)</u>	<u>(6,706)</u>	732	10.9%
Net (loss)/profit		<u>(6,732,330)</u>	<u>1,608,866</u>	(8,341,196)	NM
Total comprehensive (loss)/income attributable to:					
Equity holders of the Company		(7,134,395)	384,438	(7,518,833)	NM
Non-controlling interests		<u>(67,196)</u>	<u>(110,580)</u>	43,384	39.2%
Total comprehensive (loss)/income		<u>(7,201,591)</u>	<u>273,858</u>	(7,482,738)	NM
(Loss)/earnings per share of (loss)/profit attributable to equity holders of the Company					
- basic and diluted	9	<u>(5.04 cents)</u>	<u>1.21 cents</u>	(6.25 cents)	NM

NM : not meaningful



CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME FOR THE FULL YEAR ENDED 31 DECEMBER 2023

		Unaudited For the full year ended 31 December 2023	Audited For the full year ended 31 December 2022	Variance Favourable/(Unfavourable)	
Note	S\$	S\$	S\$	%	
Revenue	3	123,009,277	143,720,589	(20,711,312)	(14.4%)
Cost of sales		<u>(100,506,638)</u>	<u>(109,314,073)</u>	8,807,435	8.1%
Gross profit		22,502,639	34,406,516	(11,903,877)	(34.6%)
Other income	4	3,678,155	957,428	2,720,727	> 100.0%
Distribution costs		(21,158,317)	(17,176,901)	(3,981,416)	(23.2%)
Administrative expenses		(6,238,656)	(6,188,156)	(50,500)	(0.8%)
Other operating expenses		(3,257,428)	(3,910,752)	653,324	16.7%
Finance costs	5	(2,036,940)	(1,377,430)	(659,510)	(47.9%)
Share of profit of associated companies		1,171,091	1,119,427	51,664	4.6%
(Loss)/profit before income tax	6	<u>(5,339,456)</u>	<u>7,830,132</u>	(13,169,588)	NM
Income tax expense	7	<u>(455,685)</u>	<u>(1,763,347)</u>	1,307,662	74.2%
Net (loss)/profit		<u>(5,795,141)</u>	<u>6,066,785</u>	(11,861,926)	NM
Other comprehensive income:					
Exchange differences on translating foreign operations, net of tax		<u>(1,156,142)</u>	<u>(1,971,543)</u>	815,401	41.4%
Total comprehensive (loss)/income		<u>(6,951,283)</u>	<u>4,095,242</u>	(11,046,525)	NM
Net (loss)/profit attributable to:					
Equity holders of the Company		(5,907,704)	5,876,931	(11,784,635)	NM
Non-controlling interests		<u>112,563</u>	<u>189,854</u>	(77,291)	(40.7%)
Net (loss)/profit		<u>(5,795,141)</u>	<u>6,066,785</u>	(11,861,926)	NM
Total comprehensive (loss)/income attributable to:					
Equity holders of the Company		(7,032,154)	4,001,730	(11,033,884)	NM
Non-controlling interests		<u>80,871</u>	<u>93,512</u>	(12,641)	(13.5%)
Total comprehensive (loss)/income		<u>(6,951,283)</u>	<u>4,095,242</u>	(11,046,525)	NM
(Loss)/earnings per share of (loss)/profit attributable to equity holders of the Company					
- basic and diluted	9	<u>(4.43 cents)</u>	<u>4.41 cents</u>	(8.84 cents)	NM

NM : not meaningful



STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	Group		Company	
		Unaudited 31 December 2023 S\$	Audited 31 December 2022 S\$	Unaudited 31 December 2023 S\$	Audited 31 December 2022 S\$
ASSETS					
Non-current assets					
Property, plant and equipment	11	14,631,444	15,359,176	1,157,002	1,271,586
Right-of-use assets	12	2,348,784	2,589,994	1,007,676	1,008,388
Investment property	13	55,569	61,688	-	-
Investments in subsidiaries		-	-	5,723,472	5,723,472
Investments in associated companies		8,385,733	7,901,273	2,798,756	2,798,756
Financial assets at fair value through other comprehensive income	17	1,351,100	-	1,351,100	-
Transferable club memberships		24,093	25,268	4,001	4,001
Other receivables		-	-	229,084	962,936
Deferred tax assets		804,755	397,504	350,000	-
		<u>27,601,478</u>	<u>26,334,903</u>	<u>12,621,091</u>	<u>11,769,139</u>
Current assets					
Inventories	14	33,561,171	49,338,304	15,473,216	26,934,085
Trade and other receivables	15	23,701,518	27,567,016	19,320,822	21,651,468
Financial assets at fair value through profit or loss	16	-	33,168	-	6,903
Other current assets		1,749,398	1,879,486	363,316	328,356
Cash and bank balances		13,629,981	11,932,498	3,357,298	1,560,854
		<u>72,642,068</u>	<u>90,750,472</u>	<u>38,514,652</u>	<u>50,481,666</u>
Total assets		<u>100,243,546</u>	<u>117,085,375</u>	<u>51,135,743</u>	<u>62,250,805</u>
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	18	15,892,028	15,892,028	15,892,028	15,892,028
Other reserves		(7,717,643)	(6,593,193)	-	-
Retained earnings		41,787,913	49,295,217	298,539	7,807,644
		<u>49,962,298</u>	<u>58,594,052</u>	<u>16,190,567</u>	<u>23,699,672</u>
Non-controlling interests		3,196,889	3,146,355	-	-
Total equity		<u>53,159,187</u>	<u>61,740,407</u>	<u>16,190,567</u>	<u>23,699,672</u>
Non-current liabilities					
Borrowings	19	416,667	916,667	416,667	916,667
Financial liabilities - lease liabilities		2,647,092	2,404,937	1,391,705	1,071,372
Deferred tax liabilities		418,851	216,549	350,000	130,000
		<u>3,482,610</u>	<u>3,538,153</u>	<u>2,158,372</u>	<u>2,118,039</u>
Current liabilities					
Current income tax liabilities		62,058	590,844	-	492,000
Trade and other payables	20	15,165,802	15,343,265	9,539,815	9,273,365
Borrowings	19	28,071,924	35,440,024	23,153,347	26,645,953
Financial liabilities - lease liabilities		251,101	324,602	93,642	15,037
Financial liabilities at fair value through profit or loss	21	50,864	108,080	-	6,739
		<u>43,601,749</u>	<u>51,806,815</u>	<u>32,786,804</u>	<u>36,433,094</u>
Total liabilities		<u>47,084,359</u>	<u>55,344,968</u>	<u>34,945,176</u>	<u>38,551,133</u>
Total equity and liabilities		<u>100,243,546</u>	<u>117,085,375</u>	<u>51,135,743</u>	<u>62,250,805</u>



STATEMENT OF CHANGES IN EQUITY FOR THE FULL YEAR ENDED 31 DECEMBER 2023

		← Attributable to equity holders of the Company →					
The Group	Note	Total equity S\$	Parent Sub-total S\$	Share capital S\$	Other reserves S\$	Retained earnings S\$	Non-controlling interests S\$
Current year :							
Opening balance at 1 January 2023		61,740,407	58,594,052	15,892,028	(6,593,193)	49,295,217	3,146,355
Total comprehensive (loss)/income for the reporting year		(6,951,283)	(7,032,154)	-	(1,124,450)	(5,907,704)	80,871
Final dividend relating to 2022 paid	8	(1,599,600)	(1,599,600)	-	-	(1,599,600)	-
Final dividend relating to 2022 paid to non-controlling interests		(30,337)	-	-	-	-	(30,337)
Closing balance at 31 December 2023		53,159,187	49,962,298	15,892,028	(7,717,643)	41,787,913	3,196,889
Previous 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 year		4,095,242	4,001,730	-	(1,875,201)	5,876,931	93,512
Final dividend relating to 2021 paid	8	(1,599,600)	(1,599,600)	-	-	(1,599,600)	-
Interim dividend relating to 2022 paid	8	(1,066,400)	(1,066,400)	-	-	(1,066,400)	-
Final dividend relating to 2021 paid to non-controlling interests		(76,854)	-	-	-	-	(76,854)
Closing balance at 31 December 2022		61,740,407	58,594,052	15,892,028	(6,593,193)	49,295,217	3,146,355



STATEMENT OF CHANGES IN EQUITY FOR THE FULL YEAR ENDED 31 DECEMBER 2023

<u>The Company</u>	Note	Total equity S\$	Share capital S\$	Retained earnings S\$
Current year :				
Opening balance at 1 January 2023		23,699,672	15,892,028	7,807,644
Total comprehensive loss for the reporting year		(5,909,505)	-	(5,909,505)
Final dividend relating to 2022 paid	8	(1,599,600)	-	(1,599,600)
Closing balance at 31 December 2023		<u>16,190,567</u>	<u>15,892,028</u>	<u>298,539</u>
Previous year :				
Opening balance at 1 January 2022		23,728,062	15,892,028	7,836,034
Total comprehensive income for the reporting year		2,637,610	-	2,637,610
Final dividend relating to 2021 paid	8	(1,599,600)	-	(1,599,600)
Interim dividend relating to 2022 paid	8	(1,066,400)	-	(1,066,400)
Closing balance at 31 December 2022		<u>23,699,672</u>	<u>15,892,028</u>	<u>7,807,644</u>



CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE FULL YEAR ENDED 31 DECEMBER 2023

	Unaudited for the full year ended 31 December 2023 S\$	Audited for the full year ended 31 December 2022 S\$
Cash flows from operating activities		
Net (loss)/profit before tax	(5,339,456)	7,830,132
Adjustments for:		
Depreciation of property, plant and equipment and investment property	1,013,861	937,114
Depreciation of right-of-use assets	430,926	414,530
Finance costs	2,036,940	1,377,430
Gain on disposal of quoted equity shares	–	(147,060)
Gain on disposal of property, plant and equipment	(10,166)	(80,809)
Interest income from banks	(85,283)	(45,591)
Inventory written down	8,557,525	1,171,374
Loss on property, plant and equipment written down	811,080	–
Share of profit of associated companies	(1,171,091)	(1,119,427)
Changes in fair value of financial assets at fair value through profit and loss	–	(34,695)
Changes in fair value of financial liabilities at fair value through profit and loss	50,864	113,966
Operating cash flows before working capital changes	<u>6,295,200</u>	<u>10,416,964</u>
Change in operating assets and liabilities:		
Trade and other receivables	3,537,942	2,379,313
Other current assets	51,738	2,609,167
Inventories	6,862,712	(15,403,801)
Trade and other payables	76,443	(1,688,896)
Foreign exchanges differences	24,358	152,100
Cash from/(used in) operations	<u>16,848,393</u>	<u>(1,535,153)</u>
Income tax paid	(1,111,070)	(1,481,488)
Interest received	85,283	45,591
Net cash from/(used in) operating activities	<u>15,822,606</u>	<u>(2,971,050)</u>
Cash flows from investing activities		
Dividends received from associated company	619,944	872,280
Purchase of financial assets at fair value through other comprehensive income	(1,351,000)	–
Purchase of property, plant and equipment	(1,185,390)	(1,664,632)
Proceeds from sales of quoted equity shares	–	697,060
Proceeds from sales of property, plant and equipment	11,036	83,229
Net cash used in investing activities	<u>(1,905,510)</u>	<u>(12,063)</u>
Cash flows from financing activities		
Dividends paid	(1,599,600)	(2,666,000)
Dividends paid by subsidiary to non-controlling interests	(30,337)	(76,854)
Repayments of long term bank loans	(500,000)	(500,000)
(Repayments of)/proceeds from bills payables	(6,447,488)	4,395,564
(Repayments of)/proceeds from short term bank loans	(528,590)	3,600,455
Lease liabilities paid	(598,522)	(548,305)
Interest paid	(1,941,608)	(1,052,452)
Net cash (used in)/from financing activities	<u>(11,646,145)</u>	<u>3,152,408</u>
Net increase in cash and cash equivalents	2,270,951	169,295
Cash and cash equivalents, statement of cash flow, beginning balance	10,949,160	11,107,621
Effects of exchange rate changes on cash and cash equivalents	(196,106)	(327,756)
Cash and cash equivalents, statement of cash flow, ending balance	<u>13,024,005</u>	<u>10,949,160</u>
Cash and cash equivalents comprised the followings:		
Cash and bank balances	13,629,981	11,932,498
Less : bank overdraft	(605,976)	(983,338)
	<u>13,024,005</u>	<u>10,949,160</u>



SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1.1 General

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

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

1.3 Accounting convention

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

1.4 Basis of preparation of the condensed interim financial statements

The preparation of the condensed interim financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 31 December 2023 and the reported amounts of revenues and expenses for the half year and full year ended 31 December 2023. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.5 Changes in accounting

On 1 January 2023, the Group adopted the new and revised SFRS(I) and the related Interpretations to SFRS(I)s (“SFRS(I) INT”) that are relevant to its operations and mandatory for application from that date. Changes to the Group’s accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective SFRS(I) and SFRS(I) INT.

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

2.1 Critical judgements, assumptions and estimation uncertainties

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

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

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

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

2.2 Fair value measurement

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

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

3. Revenue

	Group			
	unaudited half year ended		full year ended	
	31 December		31 December (*)	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	S\$	S\$	S\$	S\$
Sale of goods	60,896,714	66,904,284	119,622,779	140,324,100
Rendering of services	<u>1,427,545</u>	<u>1,641,996</u>	<u>3,386,498</u>	<u>3,396,489</u>
Total sales	<u>62,324,259</u>	<u>68,546,280</u>	<u>123,009,277</u>	<u>143,720,589</u>

(i) Disaggregation of revenue

The segment in Singapore derives revenue from sales of goods 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		Rendering of services	
	full year ended		full year ended	
	31 December (*)		31 December (*)	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	S\$	S\$	S\$	S\$
Group				
Primary geographical markets				
Singapore	47,968,705	55,692,820	3,386,498	3,396,489
Rest of geographical areas	<u>71,654,074</u>	<u>84,631,280</u>	-	-
Total sales	<u>119,622,779</u>	<u>140,324,100</u>	<u>3,386,498</u>	<u>3,396,489</u>

(ii) Seasonality of operations

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

Note :

(*) full year ended 31 December 2023 is unaudited; full year ended 31 December 2022 is audited.

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

	Group			
	unaudited half year ended		full year ended	
	31 December		31 December (*)	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	S\$	S\$	S\$	S\$
Changes in fair value of financial assets at fair value through profit or loss — forward foreign exchange contract	—	34,695	—	34,695
Gain on disposal of quoted equity shares	—	—	—	147,060
Gain on disposal of property, plant and equipment	2,877	32,324	10,166	80,809
Government grant	1,472	6,376	44,508	55,505
Insurance claims	3,155,631	17,060	3,155,631	34,179
Interest income – banks	43,025	22,248	85,283	45,591
Rental income	7,298	2,784	14,879	10,857
Trade receivables recovered	137,243	400,134	367,688	548,732
Total other income	<u>3,347,546</u>	<u>515,621</u>	<u>3,678,155</u>	<u>957,428</u>

5. Finance costs

	Group			
	unaudited half year ended		full year ended	
	31 December		31 December (*)	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	S\$	S\$	S\$	S\$
Interest expense				
- Bills payable to banks	489,304	535,252	962,184	757,953
- Bank loans	441,427	220,916	838,812	374,916
- Bank overdraft	27,900	60,114	81,569	106,096
- Lease for right-of-use assets	73,583	68,607	142,173	138,465
- Finance leases	8,457	—	12,202	—
Total finance costs	<u>1,040,671</u>	<u>884,889</u>	<u>2,036,940</u>	<u>1,377,430</u>

Note :

(*) full year ended 31 December 2023 is unaudited; full year ended 31 December 2022 is audited.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)
6. Profit before income tax

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

	Group			
	unaudited half year ended		full year ended	
	31 December		31 December (*)	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	S\$	S\$	S\$	S\$
Cost of inventories	44,945,023	50,781,054	88,766,772	104,777,094
Changes in fair value of financial liabilities at fair value through profit or loss – forward foreign exchange contract	50,458	113,966	50,458	113,966
Compensation claims	809,355	–	809,355	–
Demolition and decontamination costs	2,320,000	–	2,320,000	–
Depreciation of investment property	1,367	1,455	2,788	2,968
Depreciation of property, plant and equipment	460,726	505,661	1,011,073	934,146
Depreciation of right-of-use assets	229,052	174,707	430,926	414,530
Employee compensation	8,453,903	8,289,972	16,479,316	17,396,764
Impairment of trade receivables	49,911	116,086	62,525	175,184
Inventories written down	6,721,330	530,386	8,557,525	1,171,374
Loss on property, plant and equipment written down	811,080	–	811,080	–
Net foreign exchange loss	141,805	559,986	88,208	871,658
Waste disposal costs	909,589	–	921,810	–
Warehouse storage charges	1,393,951	1,386,470	2,714,631	2,874,950

7. Income tax expense

	Group			
	unaudited half year ended		full year ended	
	31 December		31 December (*)	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	S\$	S\$	S\$	S\$
Current period:				
Current tax expense	160,915	345,583	602,736	1,266,476
Deferred tax (benefit)/expense	(49,778)	67,927	(218,037)	246,070
Sub-total	111,137	413,510	384,699	1,512,546
Prior periods:				
Under adjustments for current tax expense	23,619	42,517	57,898	44,158
Under adjustments for deferred tax expense	27	207,898	13,088	206,643
Sub-total	23,646	250,415	70,986	250,801
Total income tax expense	134,783	663,925	455,685	1,763,347

Note :

(*) full year ended 31 December 2023 is unaudited; full year ended 31 December 2022 is audited.



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

8. Dividends

	Group and Company			
	unaudited half year ended		full year ended	
	31 December		31 December (*)	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	S\$	S\$	S\$	S\$
Final tax exempt dividend paid of 1.2 cents (2022: tax exempt of 1.2 cents) per share in respect of previous reporting year	–	–	1,599,600	1,599,600
Interim tax exempt dividend paid of NIL cents (2022: tax exempt of 0.8 cents) per share in respect of current reporting year	–	1,066,400	–	1,066,400
Total dividends paid	–	1,066,400	1,599,600	2,666,000

9. Earnings per ordinary share (in cents)

	Group			
	unaudited half year ended		full year ended	
	31 December		31 December (*)	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
a) Based on weighted average number of ordinary shares in issue	(5.04)	1.21	(4.43)	4.41
b) On a fully diluted basis	(5.04)	1.21	(4.43)	4.41
Weighted average number of ordinary shares in issue for earnings per share	133,300,000	133,300,000	133,300,000	133,300,000

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

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31 December	31 December	31 December	31 December
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net asset value per ordinary share based on issued share capital (cents)	37.48	43.96	12.15	17.78
No of ordinary shares used in calculation	133,300,000	133,300,000	133,300,000	133,300,000

Note :

(*) full year ended 31 December 2023 is unaudited; full year ended 31 December 2022 is audited.



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

11. Property, plant and equipment

During the second half year ended 31 December 2023, the Group acquired property, plant and equipment with an aggregate cost of S\$621,414 (half year ended 31 December 2022: S\$368,005) and written down property, plant and equipment with an aggregate net book value of S\$811,080 (half year ended 31 December 2022: S\$2,322).

During the full year ended 31 December 2023, the Group acquired property, plant and equipment with an aggregate cost of S\$1,608,290 (full year ended 31 December 2022: S\$1,664,632) and disposed and written down property, plant and equipment with an aggregate net book value of S\$811,950 (full year ended 31 December 2022: S\$2,419).

The net book value of property, plant and equipment written down due to the fire incident that took place in the morning of 5 July 2023 is as follows:

(a) Building on leasehold land	S\$174,927
(b) Machinery and equipment	S\$464,917
(c) Motor vehicles	S\$132,840
(d) Computer, equipment, furniture and fixtures	S\$38,396
Total	S\$811,080

Capital commitment of the Group as at 31 December 2023 amounted to S\$1,404,282 (31 December 2022: S\$669,669).

12. Right-of-use assets

During the full year ended 31 December 2023, the Group acquired new right-of-use assets with an aggregate cost of S\$127,698 (full year ended 31 December 2022: S\$235,753).

13. Investment property

	Group	
	Unaudited 31 December <u>2023</u> S\$	Audited 31 December <u>2022</u> S\$
<u>At cost:</u>		
Balance at beginning of reporting period	127,838	136,218
Currency translation differences	(7,064)	(8,380)
Balance at end of reporting period	120,774	127,838
<u>Accumulated depreciation:</u>		
Balance at beginning of reporting period	66,150	67,429
Depreciation charge	2,788	2,968
Currency translation differences	(3,733)	(4,247)
Balance at end of reporting period	65,205	66,150
<u>Net book value:</u>		
Balance at beginning of reporting period	61,688	68,789
Balance at end of reporting period	55,569	61,688
<u>Fair value:</u>		
Fair value at end of reporting period	293,179	293,179

The fair value (Level 2) 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\$207 – S\$213.



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

14. Inventories

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31 December 2023 S\$	31 December 2022 S\$	31 December 2023 S\$	31 December 2022 S\$
Finished/trading goods	<u>33,561,171</u>	<u>49,338,304</u>	<u>15,473,216</u>	<u>26,934,085</u>

Inventories are stated after allowance. The allowance as at 31 December 2023 amounted to S\$6,103,650 (31 December 2022: S\$4,661,436) and S\$2,405,000 (31 December 2022: S\$1,858,000) for the Group and the Company respectively.

15. Trade and other receivables

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31 December 2023 S\$	31 December 2022 S\$	31 December 2023 S\$	31 December 2022 S\$
<i>Current :</i>				
<u>Trade receivables:</u>				
Non-related parties	23,357,899	27,537,366	8,242,572	10,487,856
Subsidiaries	–	–	7,548,451	8,207,681
Associated company	35,672	47,662	29,483	18,048
Less: allowance for impairment – non-related parties	(415,663)	(558,948)	(50,356)	(24,127)
Less: allowance for impairment – subsidiaries	–	–	(1,582,000)	(1,582,000)
Net trade receivables – subtotal	<u>22,977,908</u>	<u>27,026,080</u>	<u>14,188,150</u>	<u>17,107,458</u>
<u>Other receivables:</u>				
Short term loans to subsidiaries	–	–	3,322,456	3,908,213
Loan term loans to subsidiaries	–	–	391,002	393,210
Subsidiaries	–	–	2,386,251	1,912,931
Associated company	–	1,627	–	1,627
Non-related parties	723,610	539,309	3,907	57,029
Advance payments to subsidiary	–	–	370,056	–
Less: allowance for impairment - subsidiaries	–	–	(1,341,000)	(1,729,000)
Net other receivables – subtotal	<u>723,610</u>	<u>540,936</u>	<u>5,132,672</u>	<u>4,544,010</u>
Total net trade and other receivables - current	<u>23,701,518</u>	<u>27,567,016</u>	<u>19,320,822</u>	<u>21,651,468</u>
<i>Non-current:</i>				
<u>Other receivables:</u>				
Long term loans to subsidiaries	–	–	846,084	1,191,936
Less: allowance for impairment	–	–	(617,000)	(229,000)
Total other receivables – non-current	–	–	229,084	962,936
Total trade and other receivables	<u>23,701,518</u>	<u>27,567,016</u>	<u>19,549,906</u>	<u>22,614,404</u>

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

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

17. Financial assets at fair value through other comprehensive income

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31 December 2023 S\$	31 December 2022 S\$	31 December 2023 S\$	31 December 2022 S\$
At fair value:				
Investment in unquoted equity shares (Level 3)	1,351,000	–	1,351,000	–
Total financial assets at fair value through other comprehensive income	<u>1,351,000</u>	<u>–</u>	<u>1,351,000</u>	<u>–</u>

18. Share capital

	Group and Company	
	No of shares issued	Share capital S\$
Ordinary shares of no par value: Balance at 31 December 2022, 30 June 2023 and 31 December 2023	<u>133,300,000</u>	<u>15,892,028</u>

There have been no changes in the Company's issued share capital since the end of the previous period reported on being 30 June 2023.

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 31 December 2023 and 31 December 2022.

There were no outstanding convertibles and subsidiary holdings as at the end of the reporting periods ended 31 December 2023 and 31 December 2022.

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



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

19. Borrowings

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31 December 2023 S\$	31 December 2022 S\$	31 December 2023 S\$	31 December 2022 S\$
<i>Current :</i>				
Bank overdraft (unsecured)	605,976	983,338	–	–
Bill payables (unsecured)	12,393,383	17,192,759	9,896,597	13,438,853
Short term bank loans (unsecured)	13,656,750	13,969,751	12,756,750	12,707,100
Long term bank loans (unsecured)	500,000	500,000	500,000	500,000
Unsecured sub-total	27,156,109	32,645,848	23,153,347	26,645,953
Bill payables (secured)	915,815	2,568,111	–	–
Short term bank loans (secured)	–	226,065	–	–
Secured sub-total	915,815	2,794,176	–	–
Current, total	28,071,924	35,440,024	23,153,347	26,645,953
<i>Non-current:</i>				
Long term bank loans (unsecured)	416,667	916,667	416,667	916,667
Non-current, total	416,667	916,667	416,667	916,667
Total borrowings	28,488,591	36,356,691	23,570,014	27,562,620

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

20. Trade and other payables

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31 December 2023 S\$	31 December 2022 S\$	31 December 2023 S\$	31 December 2022 S\$
<u>Trade payables:</u>				
Non-related parties	7,070,787	6,769,669	2,764,395	2,995,674
Associated company	3,353	10,681	3,353	1,918
Related parties	–	64,446	–	–
Subsidiaries	–	–	715,087	506,346
Trade payables – subtotal	7,074,140	6,844,796	3,482,835	3,503,938



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

20. Trade and other payables (cont'd)

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31 December	31 December	31 December	31 December
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	S\$	S\$	S\$	S\$
<u>Other payables:</u>				
Associated company	7,908	2,843	5,119	–
Subsidiaries	–	–	390,584	260,305
Loan from subsidiary	–	–	1,419,108	1,262,702
Advance payments from customers	73,535	266,213	17,676	13,631
Advance payments from subsidiary	–	–	487,085	–
Accrued liabilities	6,165,744	5,948,646	2,803,572	3,023,630
Other payables	<u>1,844,475</u>	<u>2,280,767</u>	<u>933,836</u>	<u>1,209,159</u>
Other payables – subtotal	<u>8,091,662</u>	<u>8,498,469</u>	<u>6,056,980</u>	<u>5,769,427</u>
Total trade and other payables	<u>15,165,802</u>	<u>15,343,265</u>	<u>9,539,815</u>	<u>9,273,365</u>

21. Financial liabilities at fair value through profit and loss

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31 December	31 December	31 December	31 December
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	S\$	S\$	S\$	S\$
<u>At fair value:</u>				
Forward foreign exchange contracts (Level 2)	<u>50,864</u>	<u>108,080</u>	<u>–</u>	<u>6,739</u>
Total financial liabilities at fair value through profit or loss	<u>50,864</u>	<u>108,080</u>	<u>–</u>	<u>6,739</u>

22. 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 unquoted equity is at cost which approximate its fair value 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)

22. 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 31 December 2023	S\$'000	S\$'000	S\$'000	S\$'000
<u>Financial assets at fair value through other comprehensive income:</u>				
Unquoted equity shares	–	–	1,351	1,351
Total	–	–	1,351	1,351
<u>Financial assets at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	–	–	–
Total	–	–	–	–
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	51	–	51
Total	–	51	–	51
As at 31 December 2022				
<u>Financial assets at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	33	–	33
Total	–	33	–	33
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	108	–	108
Total	–	108	–	108
<u>Company</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
As at 31 December 2023	S\$'000	S\$'000	S\$'000	S\$'000
<u>Financial assets at fair value through other comprehensive income:</u>				
Unquoted equity shares	–	–	1,351	1,351
Total	–	–	1,351	1,351
<u>Financial assets at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	–	–	–
Total	–	–	–	–
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	–	–	–
Total	–	–	–	–
As at 31 December 2022				
<u>Financial assets at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	7	–	7
Total	–	7	–	7
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	7	–	7
Total	–	7	–	7

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)
23. Categories of financial assets and liabilities

	Group		Company	
	Unaudited 31 December <u>2023</u> S\$'000	Audited 31 December <u>2022</u> S\$'000	Unaudited 31 December <u>2023</u> S\$'000	Audited 31 December <u>2022</u> S\$'000
Financial assets				
Financial assets at amortised cost	37,331	39,500	22,537	24,175
Financial assets at FVTOCI	1,351	–	1,351	–
Financial assets at FVTPL	–	33	–	7
At end of the reporting period	<u>38,682</u>	<u>39,533</u>	<u>23,888</u>	<u>24,182</u>
Financial liabilities				
Financial liabilities at amortised cost	46,479	54,163	34,090	37,909
Financial liabilities at FVTPL	51	108	–	7
At end of the reporting period	<u>46,530</u>	<u>54,271</u>	<u>34,090</u>	<u>37,916</u>

24. Contingent liabilities

	Company	
	Unaudited 31 December <u>2023</u> S\$'000	Audited 31 December <u>2022</u> S\$'000
Undertaking to provide continuing financial support to subsidiaries with net liabilities amounted to:		
Megachem Australia Pty Ltd	2,392	2,422
Megachem Speciality Chemicals (I) Private Limited	1,080	342
Corporate guarantee provided to banks on subsidiaries' loans payable	<u>4,919</u>	<u>8,794</u>

25. Related party transactions

	Group			
	unaudited half year ended 31 December		full year ended 31 December (*)	
	<u>2023</u> S\$	<u>2022</u> S\$	<u>2023</u> S\$	<u>2022</u> S\$
Associated companies				
Sales of inventories	143,231	282,205	243,050	510,546
Purchases of inventories	<u>(19,918)</u>	<u>(50,443)</u>	<u>(36,482)</u>	<u>(97,514)</u>
Related parties				
Purchases of inventories ^(a)	<u>(354,086)</u>	<u>(421,353)</u>	<u>(586,714)</u>	<u>(709,756)</u>

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

Note :

(*) full year ended 31 December 2023 is unaudited; full year ended 31 December 2022 is audited.



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

25. Related party transactions (cont'd)

Shareholders' mandate was obtained for interested person transactions with Chori Co., Ltd and its related corporations. There are no sales to Chori Co., Ltd and its corporation under shareholders' mandate pursuant to Rule 920 for the full year ended 31 December 2023.

The Group purchased products from Chori Co., Ltd and its related corporations amounting to S\$586,714 in the full year ended 31 December 2023.

Name of interested person	Aggregate value of all interested person transactions during the full year ended 31 December 2023 under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the full year ended 31 December 2023 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$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\$586,714

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

	<u>Singapore</u> S\$'000	<u>Malaysia</u> S\$'000	<u>United Kingdom</u> S\$'000	<u>China</u> S\$'000	<u>Middle East</u> S\$'000	<u>Others</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
For the reporting year ended 31 December 2023								
Sales								
Total sales by segment	60,211	13,320	20,677	10,987	10,665	23,122	-	138,982
Inter-segment sales	(8,856)	(268)	(2,884)	(3,616)	(49)	(300)	-	(15,973)
	<u>51,355</u>	<u>13,052</u>	<u>17,793</u>	<u>7,371</u>	<u>10,616</u>	<u>22,822</u>	<u>-</u>	<u>123,009</u>
Segment result								
Interest income - bank	(5,603)	839	253	336	(98)	(286)	-	(4,559)
Finance costs							85	85
Share of profit of associated companies							(2,037)	(2,037)
Profit before income tax							1,171	1,171
Income tax expense							(781)	(5,340)
Net (loss)/profit	<u>(5,603)</u>	<u>839</u>	<u>253</u>	<u>336</u>	<u>(98)</u>	<u>(286)</u>	<u>(1,236)</u>	<u>(5,795)</u>
Other segment items								
Capital expenditure	1,064	411	17	8	8	100	-	1,608
Depreciation	678	288	98	69	138	176	-	1,447
	<u>1,742</u>	<u>699</u>	<u>115</u>	<u>77</u>	<u>146</u>	<u>276</u>	<u>-</u>	<u>3,055</u>
Segment assets								
Associated companies	37,790	16,771	5,568	4,160	6,726	16,828	-	87,843
Deferred tax assets							8,386	8,386
Interest earning cash balances							805	805
Consolidated total assets	<u>37,790</u>	<u>16,771</u>	<u>5,568</u>	<u>4,160</u>	<u>6,726</u>	<u>16,828</u>	<u>3,210</u>	<u>100,244</u>
Segment liabilities								
Borrowings	(10,782)	(1,305)	(1,840)	(933)	(928)	(2,327)	-	(18,115)
Current income tax liabilities							(28,488)	(28,488)
Deferred tax liabilities							(62)	(62)
Consolidated total liabilities	<u>(10,782)</u>	<u>(1,305)</u>	<u>(1,840)</u>	<u>(933)</u>	<u>(928)</u>	<u>(2,327)</u>	<u>(419)</u>	<u>(47,084)</u>

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

	Singapore S\$'000	Malaysia S\$'000	United Kingdom S\$'000	China S\$'000	Middle East S\$'000	Others S\$'000	Unallocated S\$'000	Group S\$'000
For the reporting year ended								
31 December 2022								
Sales								
Total sales by segment	69,049	13,990	23,707	12,322	12,066	29,562	-	160,696
Inter-segment sales	(9,960)	(224)	(2,346)	(4,297)	(16)	(132)	-	(16,975)
	<u>59,089</u>	<u>13,766</u>	<u>21,361</u>	<u>8,025</u>	<u>12,050</u>	<u>29,430</u>	<u>-</u>	<u>143,721</u>
Segment result								
Interest income - bank	3,554	1,881	633	262	622	1,091	45	8,043
Finance costs							(1,377)	45
Share of profit of associated companies							1,119	(1,377)
Profit before income tax							(213)	1,119
Income tax expense							(1,763)	7,830
Net profit	<u>3,554</u>	<u>1,881</u>	<u>633</u>	<u>262</u>	<u>622</u>	<u>1,091</u>	<u>(1,976)</u>	<u>6,067</u>
Other segment items								
Capital expenditure	803	738	13	5	-	106	-	1,665
Depreciation	683	205	78	75	157	154	-	1,352
Segment assets								
Associated companies	49,253	17,026	8,474	5,308	7,919	19,433	-	107,413
Deferred tax assets							7,901	398
Interest earning cash balances							398	1,373
Consolidated total assets	<u>49,253</u>	<u>17,026</u>	<u>8,474</u>	<u>5,308</u>	<u>7,919</u>	<u>19,433</u>	<u>9,672</u>	<u>117,085</u>
Segment liabilities								
Borrowings	(10,751)	(433)	(2,861)	(701)	(771)	(2,664)	-	(18,181)
Current income tax liabilities							(36,357)	(591)
Deferred tax liabilities							(591)	(216)
Consolidated total liabilities	<u>(10,751)</u>	<u>(433)</u>	<u>(2,861)</u>	<u>(701)</u>	<u>(771)</u>	<u>(2,664)</u>	<u>(37,164)</u>	<u>(55,345)</u>



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

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

	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
For the reporting year ended				
31 December 2023				
Sales				
Total sales by segment	119,354	4,429	-	123,783
Inter-segment sales	(57)	(717)	-	(774)
	<u>119,297</u>	<u>3,712</u>	<u>-</u>	<u>123,009</u>
Segment result				
	(4,312)	(247)	-	(4,559)
Interest income - bank			85	85
Finance costs			(2,037)	(2,037)
Share of profit of associated companies			<u>1,171</u>	<u>1,171</u>
Profit before income tax			(781)	(5,340)
Income tax expense			<u>(455)</u>	<u>(455)</u>
Net loss	<u>(4,312)</u>	<u>(247)</u>	<u>(1,236)</u>	<u>(5,795)</u>
Other segment items				
Capital expenditure	1,562	46	-	1,608
Depreciation	<u>1,126</u>	<u>321</u>	<u>-</u>	<u>1,447</u>

	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets				
	81,438	6,405	-	87,843
Associated companies			8,386	8,386
Deferred tax assets			805	805
Interest earning cash balances			<u>3,210</u>	<u>3,210</u>
Consolidated total assets	<u>81,438</u>	<u>6,405</u>	<u>12,401</u>	<u>100,244</u>
Segment liabilities				
	(15,733)	(2,382)	-	(18,115)
Borrowings			(28,488)	(28,488)
Current income tax liabilities			(62)	(62)
Deferred income tax liabilities			<u>(419)</u>	<u>(419)</u>
Consolidated total liabilities	<u>(15,733)</u>	<u>(2,382)</u>	<u>(28,969)</u>	<u>(47,084)</u>



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

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

	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
For the reporting year ended 31 December 2022				
Sales				
Total sales by segment	139,821	4,694	-	144,515
Inter-segment sales	(60)	(734)	-	(794)
	139,761	3,960	-	143,721
Segment result				
	7,565	478	-	8,043
Interest income - bank			45	45
Finance costs			(1,377)	(1,377)
Share of profit of associated companies			1,119	1,119
Profit before income tax			(213)	7,830
Income tax expense			(1,763)	(1,763)
Net profit	7,565	478	(1,976)	6,067
Other segment items				
Capital expenditure	1,392	273	-	1,665
Depreciation	1,048	304	-	1,352
	1,048	304	-	1,352
	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets	100,719	6,694	-	107,413
Associated companies			7,901	7,901
Deferred tax assets			398	398
Interest earning cash balances			1,373	1,373
Consolidated total assets	100,719	6,694	9,672	117,085
Segment liabilities	(16,279)	(1,902)	-	(18,181)
Borrowings			(36,357)	(36,357)
Current income tax liabilities			(591)	(591)
Deferred income tax liabilities			(216)	(216)
Consolidated total liabilities	(16,279)	(1,902)	(37,164)	(55,345)

OTHER INFORMATION

AUDIT

The statements of financial position as at 31 December 2023 and the related consolidated statement of profit or loss and consolidated statement of comprehensive income for the half year and financial year then ended, statements of changes in equity and consolidated statement of cash flows for the financial year 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

Key Financial Highlights

On 5 July 2023 Megachem informed shareholders via an SGX announcement that a fire broke out on the same day at 132 Pioneer Road where our warehouse is located.

The estimated financial impact of the fire incident on our consolidated statement of comprehensive income for the half year and full year ended 31 December 2023 are estimated as follows:

<u>Income:</u>	S\$'000
Insurance claim income	3,149
<u>Expenses/loss:</u>	
Inventory written off	(5,919)
Property, plant and equipment written off	(811)
Demolition and decontamination costs	(2,320)
Waste disposal costs	(905)
Compensation claims	(805)
Other costs	(127)
Total expenses/losses	<u>(10,887)</u>
Net impact	<u>(7,738)</u>

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

Profitability Highlights	H2 2023	H1 2023	Variance H2 2023 vs H1 2023		H2 2022	Variance H2 2023 vs H2 2022	
			Fav/(Unfav)	%		Fav/(Unfav)	%
Sales (S\$'mil)	62.3	60.7	1.6	2.7%	68.5	(6.2)	(9.1%)
Gross profit (S\$'mil)	9.1	13.4	(4.2)	(31.7%)	15.8	(6.7)	(42.2%)
<i>Adjusted gross profit (S\$'mil)</i>	<i>15.1</i>	<i>13.4</i>	<i>1.7</i>	<i>12.9%</i>	<i>15.8</i>	<i>(0.7)</i>	<i>(4.3%)</i>
Gross profit margin	14.7%	22.0%	(7.3%)	na	23.0%	(8.3%)	na
<i>Adjusted gross profit margin</i>	<i>24.2%</i>	<i>22.0%</i>	<i>2.2%</i>	na	<i>23.0%</i>	<i>1.2%</i>	na
Total operating expenses and finance costs (S\$'mil)	19.6	13.2	(6.4)	(49.1%)	14.4	(5.2)	(36.1%)
<i>Adjusted total operating expenses and finance costs (S\$'mil)</i>	<i>14.6</i>	<i>13.2</i>	<i>(1.4)</i>	<i>(10.9%)</i>	<i>14.4</i>	<i>(0.2)</i>	<i>(1.2%)</i>
Other income (S\$'000)	3,348	431	2,917	> 100.0%	516	2,832	> 100.0%
Share of profit of associated companies (S\$'000)	555	616	(61)	(10.0%)	396	159	40.2%

Note : “Adjusted” amounts refer to amounts adjusted for the impact of the fire incident.

na : not applicable

REVIEW OF PERFORMANCE (cont'd)
Key Financial Highlights (cont'd)

Profitability Highlights	H2 2023	H1 2023	Variance H2 2023 vs H1 2023		H2 2022	Variance H2 2023 vs H2 2022	
			Fav/(Unfav)	%		Fav/(Unfav)	%
Loss(profit) before income tax (S\$mil)	(6.6)	1.3	(7.9)	NM	2.3	(8.9)	NM
Net (loss)/profit (S\$mil)	(6.7)	0.9	(7.6)	NM	1.6	(8.3)	NM
<i>Adjusted net profit (S\$mil)</i>	<i>1.0</i>	<i>0.9</i>	<i>0.1</i>	<i>8.9%</i>	<i>1.6</i>	<i>(0.6)</i>	<i>(37.0%)</i>
Net (loss)/profit margin	(10.8%)	1.5%	(12.3%)	na	2.3%	(13.1%)	na
EBITDA (S\$mil)	(4.9)	3.0	(7.9)	NM	3.8	(8.7)	NM
EBITDA margin	(7.9%)	4.9%	(12.8%)	na	5.6%	(13.5%)	na
(Loss)/earnings per share attributable to equity holders of the Company (cents)	(5.04)	0.61	(5.65)	NM	1.21	(6.25)	NM

Profitability Highlights	FY 2023	FY 2022	Variance FY 2023 vs FY 2022	
			Fav/(Unfav)	%
Sales (S\$mil)	123.0	143.7	(20.7)	(14.4%)
Gross profit (S\$mil)	22.5	34.4	(11.9)	(34.6%)
<i>Adjusted gross profit (S\$mil)</i>	<i>28.5</i>	<i>34.4</i>	<i>(5.9)</i>	<i>(17.3%)</i>
Gross profit margin	18.3%	23.9%	(5.6%)	na
<i>Adjusted gross profit margin</i>	<i>23.1%</i>	<i>23.9%</i>	<i>(0.8%)</i>	<i>na</i>
Total operating expenses and finance cost (S\$mil)	32.7	28.7	4.0	(14.1%)
<i>Adjusted total operating expenses and finance cost (S\$mil)</i>	<i>27.7</i>	<i>28.7</i>	<i>1.0</i>	<i>3.5%</i>
Other income (S\$'000)	3,678	957	2,721	> 100.0%
Share of profit of associated companies (S\$'000)	1,171	1,119	52	4.6%
Loss(profit) before income tax (S\$mil)	(5.3)	7.8	(13.1)	NM
Net (loss)/profit (S\$mil)	(5.8)	6.1	(11.9)	NM
<i>Adjusted net profit after tax (S\$mil)</i>	<i>1.9</i>	<i>6.1</i>	<i>(4.2)</i>	<i>(68.0%)</i>
Net (loss)/profit margin	(4.7%)	4.2%	(8.9%)	na
EBITDA (S\$mil)	(1.9)	10.5	(12.4)	NM
EBITDA margin	(1.6%)	7.3%	(8.9%)	na
(Loss)/earnings per share attributable to the equity holders of the Company (cents)	(4.43)	4.41	(8.84)	NM

na : not applicable
NM : not meaningful

Profitability Review

(a) Sales

			Variance Fav/(Unfav)				Variance Fav/(Unfav)	
	H2 2023	H1 2023	H2 2023 vs H1 2023	%	H2 2022	H2 2023 vs H2 2022	%	%
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%	%
ASEAN	36,611	35,615	996	2.8	37,388	(777)	(2.1)	
Europe	7,396	8,308	(912)	(11.0)	8,953	(1,557)	(17.4)	
North Asia	5,423	4,892	531	10.9	5,974	(551)	(9.2)	
Australia	5,393	4,299	1,094	25.4	7,835	(2,442)	(31.2)	
Middle East	5,133	5,426	(293)	(5.4)	5,749	(616)	(10.7)	
South Asia	1,987	1,833	154	8.4	1,989	(2)	(0.1)	
America	117	95	22	23.2	104	13	12.5	
Africa	264	217	47	21.7	555	(291)	(52.4)	
Total	62,324	60,685	1,639	2.7	68,547	(6,223)	(9.1)	

	FY 2023		FY 2022		Variance Fav/(Unfav)	
	S\$'000	%	S\$'000	%	S\$'000	%
ASEAN	72,226	58.7	83,080	57.8	(10,854)	(13.1)
Europe	15,704	12.7	18,348	12.8	(2,644)	(14.4)
Middle East	10,559	8.6	12,227	8.5	(1,668)	(13.6)
North Asia	10,316	8.4	11,426	7.9	(1,110)	(9.7)
Australia	9,692	7.9	12,019	8.4	(2,327)	(19.4)
South Asia	3,820	3.1	5,680	3.9	(1,860)	(32.7)
America	212	0.2	231	0.2	(19)	(8.2)
Africa	480	0.4	710	0.5	(230)	(32.4)
Total	123,009	100.0	143,721	100.0	(20,712)	(14.4)

Geographic Segment Sales Analysis

H2 2023 vs H1 2023

Demand for chemicals picked up slightly in the second half of 2023 ("H2 2023"). Except for Europe and Middle East markets, most of our markets recorded higher sales in H2 2023 over first half of 2023 ("H1 2023"). The biggest increase came from Australia market which recorded growth in sales of S\$1.1 million or 25.4% as compared to H1 2023. This was followed by ASEAN market which recorded an increase in sales of S\$1.0 million or 2.8%. Other markets such as North Asia and South Asia recorded higher sales of S\$0.5 million or 10.9% and S\$0.2 million or 8.4% respectively.

Sales to Europe market decreased by S\$0.9 million or 11.0% in H2 2023 while sales to Middle East fell by S\$0.3 million or 5.4%.

This resulted in an increase in total sales of S\$1.6 million or 2.7% to S\$62.3 million in H2 2023 vis-à-vis sales of S\$60.7 million in H1 2023.

H2 2023 vs H2 2022

As compared to second half of 2022 ("H2 2022"), total sales decreased by S\$6.2 million or 9.1%. Other than the America market, the decrease was across the board.

Sales to Australia market recorded a decrease of S\$2.4 million or 31.2% while sales to Europe and ASEAN markets declined by S\$1.6 million or 17.4% and S\$0.8 million or 2.1% respectively. Sales to North Asia, Middle East and Africa markets fell by a smaller magnitude of about S\$0.3 million to \$0.6 million.

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(a) Sales (cont'd)

FY 2023 vs FY 2022

Due to dampened demand, inventory overhang and falling chemical prices in the industry, there was a dip in sales of S\$20.7 million or 14.4% for the full year of 2023 ("FY 2023") as compared to the full year of 2022 ("FY 2022").

ASEAN market recorded the biggest decline in sales of S\$10.9 million or 13.1%. This was followed by Europe and Australia which contracted by S\$2.6 million or 14.4% and S\$2.3 million or 19.4% respectively. Other markets such as Middle East, North Asia and South Asia recorded lower sales of between S\$1.1 million to S\$1.9 million.

Business Activity Segment Sales Breakdown

			Variance Fav/(Unfav)		Variance Fav/(Unfav)		
	H2 2023	H1 2023	H2 2023 vs H1 2023		H2 2022	H2 2023 vs H2 2022	
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Distribution activity	60,756	58,542	2,214	3.8	66,587	(5,831)	(8.8)
Manufacturing activity	1,568	2,143	(575)	(26.8)	1,960	(392)	(20.0)
Total Sales	62,324	60,685	1,639	2.7	68,547	(6,223)	(9.1)

	FY 2023	FY 2022	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Distribution activity	119,298	139,761	(20,463)	(14.6)
Manufacturing activity	3,711	3,960	(249)	(6.3)
Total Sales	123,009	143,721	(20,712)	(14.4)

H2 2023 vs H1 2023

H2 2023 vs H2 2022

Sales from distribution segments increased by S\$2.2 million or 3.8% over H1 2023 but decreased by S\$5.8 million or 8.8% as compared to H2 2022.

Sales from the contract manufacturing segment contracted by S\$0.6 million or 26.8% and S\$0.4 million or 20.0% in H2 2023 over H1 2023 and H2 2022 respectively.

FY 2023 vs FY 2022

Year-on-year, sales from distribution segment decreased by S\$20.5 million or 14.6% while sales from manufacturing segment decreased by S\$0.2 million or 6.3%.

(b) Gross profit

H2 2023 vs H1 2023

H2 2023 vs H2 2022

Gross profit margin dipped in H2 2023 (14.7%) as compared to H1 2023 (22.0%) and H2 2022 (23.0%) as inventory destroyed in the fire were written off and higher allowance for impairment was recorded.

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(b) Gross profit (cont'd)

As a result, gross profit decreased by S\$4.2 million or 31.7% over H1 2023 and S\$6.7 million or 42.2% as compared to H2 2022.

After adjusting for the impact of fire, gross profit margin and gross profit for H2 2023 would be 24.2% and S\$15.1 million.

FY 2023 vs FY 2022

Gross profit margin for FY 2023 declined to 18.3% as compared to 23.9% in FY 2022 mainly due to the same reasons noted above. Coupled with lower sales, gross profit decreased year-on-year by S\$11.9 million or 34.6% to S\$22.5 million.

After adjusting for the impact of fire, gross profit margin and gross profit would be 23.1% and S\$28.5 million respectively and the decrease in gross profit would be S\$5.9 million or 17.3%.

(c) Other income

			Variance Fav/(Unfav)		Variance Fav/(Unfav)		
	H2 2023	H1 2023	H2 2023 vs H1 2023	H2 2022	H2 2023 vs H2 2022		
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	
Change in fair value of financial assets at fair value through profit or loss							
- forward foreign exchange contracts	-	-	-	-	35	(35)	(100.0)
Gain on disposal of plant and equipment	3	7	(4)	(60.5)	32	(29)	(91.1)
Grant income	2	43	(41)	(96.6)	6	(4)	(76.9)
Insurance claims	3,156	-	3,156	NM	17	3,139	> 100.0
Interest income	43	42	1	1.8	22	21	93.4
Net foreign exchange gain	-	101	(101)	(100.0)	-	-	-
Trade receivables recovered	137	230	(93)	(40.4)	400	(263)	(65.7)

	FY 2023	FY 2022	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Change in fair value of financial assets at fair value through profit or loss				
- forward foreign exchange contracts	-	35	(35)	(100.0)
Gain on disposal of quoted equity shares	-	147	(147)	(100.0)
Gain on disposal of plant and equipment	10	81	(71)	(87.4)
Grant income	45	55	(10)	(19.8)
Insurance claims	3,156	34	3,122	> 100.0
Interest income	85	46	39	87.1
Trade receivables recovered	368	549	(181)	(33.0)

NM : not meaningful



REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(c) Other income (cont'd)

H2 2023 vs H1 2023

H2 2023 vs H2 2022

The increase in other income was mainly due to insurance compensation claims of S\$3.2 million recorded in H2 2023. As compared to H1 2023, the increase was partially offset by the absence of net foreign exchange gain of S\$0.1 million and lower trade receivables recovered of S\$0.1 million.

Similarly, the increase in other income over H2 2022 was partially offset by lower trade receivables recovered of S\$0.3 million.

FY 2023 vs FY 2022

The increase in other income of S\$2.7 million was mainly due to the same reason as noted above. The increase was partly offset by the absence of gain on disposal of quoted equity shares and lower gain on disposal of property, plant and equipment of S\$0.1 million each and lower trade receivables recovered of S\$0.2 million.

(d) Operating expenses

			Variance Fav/(Unfav)		Variance Fav/(Unfav)		
	H2 2023	H1 2023	H2 2023 vs H1 2023	H2 2022	H2 2023 vs H2 2022		
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Compensation claims	809	-	(809)	NM	-	(809)	NM
Demolition and decontamination costs	2,320	-	(2,320)	NM	-	(2,320)	NM
Depreciation of property, plant and equipment	431	522	91	17.3	482	51	10.6
Depreciation of right-of-use assets	229	202	(27)	(13.5)	175	(54)	(31.1)
Employee compensation	7,975	7,515	(460)	(6.1)	7,798	(177)	(2.2)
Impairment of doubtful trade receivables	50	13	(37)	(> 100.0)	116	66	57.0
Loss on property, plant and equipment written down	811	-	(811)	NM	-	(811)	NM
Net foreign exchange loss	142	-	(142)	NM	560	418	74.7
Professional fees	642	328	(314)	(96.1)	443	(199)	(44.9)
Waste disposal costs	910	12	(898)	(> 100.0)	-	(910)	NM
Warehouse storage charges	1,394	1,321	(73)	(5.5)	1,387	(7)	(0.5)

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(d) Operating expenses (cont'd)

	FY 2023 S\$'000	FY 2022 S\$'000	Variance Fav/(Unfav) S\$'000	%
Compensation claims	809	-	(809)	NM
Demolition and decontamination costs	2,320	-	(2,320)	NM
Depreciation of property, plant and equipment	952	892	(60)	(6.7)
Depreciation of right-of-use assets	431	415	(16)	(4.0)
Employee remuneration	15,490	16,391	901	5.5
Impairment of trade receivables	63	175	112	64.3
Loss on property, plant and equipment written down	811	-	(811)	NM
Net foreign exchange loss	88	872	784	89.9
Professional fees	970	824	(146)	(17.8)
Waste disposal costs	922	-	(922)	NM
Warehouse storage charges	2,715	2,875	160	5.6

H2 2023 vs H1 2023

Operating expenses for H2 2023 increased by S\$6.4 million or 52.7% as compared to H1 2023. The increase was mainly related to the fire incident. Expenses such as customer compensation claims, demolition and decontamination costs, higher waste disposal costs and warehouse storage charges were incurred as a result of the fire incident. Approximately S\$0.6 million and S\$0.2 million of the compensation claims are in relation to loss or damages of customers' inventories stored at the warehouse and customers' consequential losses respectively. Property, plant and equipment destroyed in the fire amounted to S\$0.8 million were written down.

After adjusting for the impact of fire, H2 2023 operating expenses would have increased by S\$1.4 million or 11.4%.

Higher employee remuneration and higher professional fees (incurred mainly for SAP system upgrade) of S\$0.5 million and S\$0.3 million were recorded in H2 2023 respectively. Net foreign exchange loss of S\$0.1 million was incurred in H2 2023 as compared to net foreign exchange gain in H1 2023.

H2 2023 vs H2 2022

As compared to H2 2022, total operating expenses increased by S\$5.0 million or 37.2%. Similarly, the increase was mainly due to the same reason above. The increase was offset by lower net foreign exchange loss of S\$0.4 million. Adjusting for the impact of fire, H2 2023 operating expenses would be relatively unchanged as compared to H2 2022.

FY 2023 vs FY 2022

Year-on-year, total operating expenses for FY 2023 increased by S\$3.4 million or 12.3% due to the same reasons above. The increase was offset by lower employee remuneration of S\$0.9 million, lower net foreign exchange loss of S\$0.8 million, lower warehouse storage of S\$0.2 million and lower impairment of trade receivables of S\$0.1 million.

After adjusting for the impact of fire, total operating expenses for FY 2023 would be lower by S\$1.7 million or 6.1% year-on-year.

REVIEW OF PERFORMANCE (cont'd)
Profitability Review (cont'd)
(e) Finance costs

Finance costs comprised the following:-

			Variance Fav/(Unfav)				Variance Fav/(Unfav)	
	H2 2023	H1 2023	H2 2023 vs H1 2023		H2 2022	H2 2023 vs H2 2022		
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Bills payables	489	473	(16)	(3.5)	535	46	8.6	
Bank loans	442	397	(45)	(11.1)	221	(221)	(99.8)	
Bank overdraft	28	54	26	48.0	60	32	53.6	
Hire purchase	9	4	(5)	(125.9)	-	(9)	NM	
Leases for right-of-use assets	73	68	(5)	(7.3)	69	(4)	(7.3)	
Total finance costs	1,041	996	(45)	(4.5)	885	(156)	(17.6)	

	FY 2023	FY 2022	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Bills payables	962	758	(204)	(26.9)
Bank loans	839	375	(464)	(> 100.0)
Bank overdraft	82	106	24	23.1
Hire purchase	12	-	(12)	NA
Leases for right-of-use assets	142	138	(4)	(2.7)
Total finance costs	2,037	1,377	(660)	(47.9)

H2 2023 vs H1 2023
H2 2023 vs H2 2022

Finance costs for H2 2023 increased by S\$45,000 or 4.5% and S\$156,000 or 17.6% over H1 2023 and H2 2022 respectively mainly due to higher interest rates.

FY 2023 vs FY 2022

For the same reasons noted above, finance costs increased by S\$660,000 or 47.9% over FY 2022.



REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(f) Share of profit of associated companies

H2 2023 vs H1 2023

H2 2023 vs H2 2022

Our share of profit of associated companies decreased by S\$61,000 or 10.0% as compared to H1 2023.

Vis-à-vis H2 2022, our share of profit of associated companies increased by S\$159,000 or 40.2%.

FY 2023 vs FY 2022

Our share of profit of associated companies for FY 2023 increased by S\$52,000 or 4.6%.

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

H2 2023 vs H1 2023

H2 2023 vs H2 2022

H2 2023 recorded loss before tax of S\$6.6 million as compared to profit before tax of S\$1.3 million and S\$2.3 million in H1 2023 and H2 2022 respectively. Similarly, EBITDA in H2 2023 was a net loss of S\$4.9 million as compared to S\$3.0 million and S\$3.8 million in H1 2023 and H2 2022 respectively. This was mainly due to expenses/losses incurred as a result of the fire incident and lower sales (as compared to H2 2022).

Correspondingly, income tax expenses in H2 2023 were lower as compared to H1 2023 and H2 2022.

As a result, net loss after tax was a loss S\$6.7 million in H2 2023 as compared to net profit after tax of S\$0.9 million in H1 2023 and S\$1.6 million in H2 2022.

After adjusting for the impact of fire, H2 2023 would have recorded a net profit after tax of S\$1.0 million, which represent an increase of S\$0.1 million or 8.9% over H1 2023 and a decrease of S\$0.6 million or 37.0% as compared to H2 2022.

FY 2023 vs FY 2022

FY 2023 recorded a net loss before tax of S\$5.3 million as compared to profit before tax of S\$7.8 million in FY 2022. Similarly, EBITDA and net loss after tax was a loss of S\$1.9 million and S\$5.8 million respectively as compared to S\$10.5 million and net profit after tax of S\$6.1 million in FY 2022.

Income tax expense was lower in FY 2023 by S\$1.3 million or 74.2% as a result of lower profitability.

After adjusting for the impact of fire, there would be a net profit after tax of S\$1.9 million in FY 2023, which represents a decrease of S\$4.2 million or 68.0% year-on-year.

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(h) Total comprehensive income

These translation gains or losses arise from translation of foreign currency denominated asset and liabilities of subsidiaries and associated companies. Translation losses of S\$0.5 million and S\$1.2 million in H2 2023 and FY 2023 respectively were largely due to the depreciation of Malaysian Ringgit and Thai Baht against Singapore Dollar.

H2 2023 vs H1 2023

H2 2023 vs H2 2022

Translation losses in H2 2023 of S\$0.5 million were S\$0.2 million and S\$0.9 million lower than translation losses in H1 2023 and H2 2022 respectively. Comprehensive loss for H2 2023 was S\$7.2 million as compared to comprehensive income of S\$3.8 million and S\$0.3 million in H1 2023 and H2 2023 respectively.

FY 2023 vs FY 2022

Year-on-year, translation losses were S\$0.8 million lower than FY 2022. Comprehensive loss for FY 2023 was S\$7.0 million as compared to comprehensive income of S\$4.1 million in FY 2022.

Financial Position Review

Financial Position Highlights	As at		Variance 31 December 2023 vs 31 December 2022 Fav/(Unfav)
	31 December 2023	31 December 2022	
Cash (S\$'mil)	13.6	11.9	1.7
Borrowings (S\$'mil)	28.5	36.4	7.9
Current ratio (times)	1.7	1.8	(0.1)
Gearing ratio (times)	0.57	0.62	0.05
Net gearing ratio (times)	0.30	0.42	0.12
Net assets per share attributable to equity holders of the Company (cents)	37.48	43.96	(6.48)
Inventory turnover (days)	170	158	(12)
Trade receivables turnover (days)	76	75	(1)
Trade payable turnover (days)	35	23	12

REVIEW OF PERFORMANCE (cont'd)

Financial Position Review (cont'd)

(i) Property, plant and equipment

The carrying value of property, plant and equipment decreased by S\$0.8 million from S\$15.4 million as at 31 December 2022 to S\$14.6 million as at 31 December 2023.

The decrease was mainly due to depreciation charge of S\$1.0 million, property, plant and equipment disposed and written down of S\$0.8 million (consist mainly of machinery and equipment of S\$0.5 million, building on leasehold land of S\$0.2 million and motor vehicle of S\$0.1 million) and translation loss of S\$0.6 million in the current year.

The increase was offset by capital expenditure of S\$1.6 million (mainly in motor vehicle), out of which S\$0.4 million was acquired under hire purchase.

(j) Right-of-use assets

The carrying value of right-of-use assets decreased by S\$0.3 million from S\$2.6 million as at 31 December 2022 to S\$2.3 million as at 31 December 2023 mainly due to new lease assets recognized of S\$0.1 million offset by depreciation charge of S\$0.4 million in the current year.

(k) Investment in associated companies

The increase in carrying value of our associated companies by S\$0.5 million was mainly due to positive contribution from operation in the current year of S\$1.2 million offset by dividend return of S\$0.6 million and translation loss of S\$0.1 million.

(l) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income related to investment in unquoted equity shares made in FY 2023.

(m) Trade and other receivables

Net trade receivables decreased by S\$4.0 million or 15.0% from S\$27.0 million as at 31 December 2022 to S\$23.0 million as at 31 December 2023. The decrease was because of lower sales in H2 2023 as compared to H2 2022. Turnover days increased by 1 day from 75 days for FY 2022 to 76 days for FY 2023.

(n) Inventories

Inventories decreased by S\$15.7 million or 32.0% from S\$49.3 million as at 31 December 2022 to S\$33.6 million as at 31 December 2023. The decrease in inventory was mainly due to lower chemical prices and lower level of purchases during the year and write off of inventory destroyed in the fire. Inventory turnover days increased by 12 days from 158 days for FY 2022 to 170 days for FY 2023 as sales decreased in H2 2023.

(o) Other current assets

Other current assets decreased by S\$0.1 million or 6.9% to S\$1.8 million as at 31 December 2023 primarily due to lower advance payments to suppliers of S\$0.1 million in tandem with lower purchases in H2 2023.

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

Financial assets at fair value through profit or loss decreased by approximately S\$33,000 due to realisation of forward exchange contracts.

Financial liabilities at fair value through profit or loss decreased by approximately S\$57,000 to approximately S\$51,000 as at 31 December 2023 as compared to 31 December 2022.

REVIEW OF PERFORMANCE (cont'd)

Financial Position Review (cont'd)

(q) Trade and other payables

Total trade payables increased by S\$0.3 million or 3.4% from S\$6.8 million as at 31 December 2022 to S\$7.1 million as at 31 December 2023. Turnover days increased to 35 days in FY 2023 as compared to 23 days in FY 2022.

Other payables in aggregate consisting of accrued operating expenses, advance payments from customer and sundry payables decreased by S\$0.4 million from S\$8.5 million as at 31 December 2022 to S\$8.1 million as at 31 December 2023. The decrease was mainly due to lower sundry creditors of S\$0.4 million and lower advance payment received from customer of S\$0.2 million offset by higher accrued operating expenses of S\$0.2 million.

(r) Financial liabilities - lease liabilities

The carrying value of lease liabilities increased from S\$2.7 million as at 31 December 2022 to S\$2.9 million as at 31 December 2023. Additional lease liabilities recognized of S\$0.6 million and accretion of interest of S\$0.2 million were offset by repayment of lease liabilities of S\$0.6 million in FY 2023.

(s) Borrowings

Total borrowings decreased by S\$7.9 million or 21.6% from S\$36.4 million as at 31 December 2022 to S\$28.5 million as at 31 December 2023. This decrease was mainly due to repayment of trade borrowings corresponding to lower inventory purchases.

In line with lower total borrowings, our gearing ratio and net gearing ratio decreased from 0.62 times and 0.42 times as at 31 December 2022 to 0.57 times and 0.30 times as at 31 December 2023 respectively.

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

Net asset value per share decreased from 43.96 cents as at 31 December 2022 to 37.48 cents as at 31 December 2023 primarily due to comprehensive loss recorded for equity holders of S\$7.0 million and dividend payment of S\$1.6 million in FY 2023.

Cashflow Review

Positive cash flow from operating activities of S\$15.8 million was generated in FY 2023 despite recording net loss after tax of S\$5.8 million in FY 2023. This was due to a reduction in working capital requirements (ie mainly lower purchases of inventory and lower trade receivables). Other major cash inflow was dividend received from associated company of S\$0.6 million.

Positive cashflow generated was utilised to reduce borrowings of S\$7.5 million and to meet other major cash outflows in FY 2023 such as payments for property, plant and equipment of S\$1.2 million, investment in equity shares of S\$1.4 million, payment of dividends of S\$1.6 million and payments of bank interest of S\$1.9 million.

As such, overall cash and cash equivalents increased by S\$2.1 million from S\$10.9 million as at 31 December 2022 to S\$13.0 million as at 31 December 2023.



RISK

We believe the imminent risks to our financial performance for the financial year ending 31 December 2024 ("FY 2024") are as follows:

Economic Risk

In response to softer inflation, central banks have begun to put a pause to the aggressive interest rate hikes. In spite of that, interest and business costs remain elevated 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.

Energy prices

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

Currency risk

We operate internationally and therefore are exposed to foreign currency risks arising from various currency exposures. The currency market remains volatile and difficult to predict. Furthermore, some countries impose foreign exchange controls. These pose a challenge to our foreign exchange risk management. While we will continue to hedge our exposure, we recognize that there is no perfect hedge. In addition, currencies of certain countries have limited liquidity and carry high hedging cost. Thus, any adverse changes in foreign currency may have an impact on our profitability.

Interest rate risk

Our interest rate risk arises from bank borrowings at floating rates. Interest rates are likely to remain elevated in 2024 following surging inflation and aggressive interest rates hike by central banks which has increased 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 as a result of high interest rates and business cost. 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 suffers 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.

Supply Chain Risk

Following the conflict between Israel and Hamas in Gaza, the Yemen's Houthi Rebels have launched attacks at vessels, especially those associated with Israel, passing through the Red Sea. As a result, many shipping companies have rerouted their vessels, leading to longer shipment time and higher freight cost. This may have adverse impact on our business.



PROSPECTS

In our results announcement for H1 2023, we informed shareholders of a fire incident that took place on 5 July 2023. In the announcement, we also cautioned that the fire incident would have a negative impact on our results for FY 2023. Our results for FY 2023 as disclosed in this announcement is consistent with our disclosure in our H1 2023 announcement.

– BUSINESS OUTLOOK CLOUDED BY EXTERNAL UNCERTAINTIES

Economy

2024 will continue to be a year of uncertainties, marked by the on-going Russia-Ukraine war and the Israel-Hamas conflict. Even though global inflationary pressure has eased recently, leading to a pause in interest rate hikes, high costs and tepid demand may continue to be a drag on the economy and business activities.

Chemical Industry

Although the excess inventory situation has somewhat improved, following a period of destocking, recovery in demand for chemicals may remain sluggish in line with benign economic conditions. Supply chain disruption arising from Middle East conflict also poses a risk to recovery.

Megachem

Given that the global business environment is expected to remain challenging for 2024, Megachem will continue to adopt a cautious stance as the uncertainties ahead weighing on the global economy may pose downside risks to our business.

Fire Incident

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

The fire incident had a total negative impact of approximately S\$7.7 million on our profitability for FY 2023, resulting in our first ever loss after tax of S\$5.8 million. Excluding the impact of the fire, there would have been a net profit after tax of S\$1.9 million in FY 2023.

Rebuilding our warehouse

The groundwork for the rebuilding of our warehouse has commenced. Various professionals required for the rebuilding have been appointed.

The commencement of the rebuilding is pending regulatory clearance. We expect the construction, which will take approximately 1 year, to commence sometime in the middle of 2024.

While the reconstruction of the warehouse will increase our cost in the short term, the new warehouse, which is also safer and environmentally friendly, will lead to lower warehousing cost in the longer term. This will enhance our competitiveness.

DIVIDEND

(a) Current financial year reported on

Any final dividend declared for the financial year ended? No

After considering the capital expenditure required for rebuilding of our warehouse at 132 Pioneer Road, the Board of Directors resolved that no final dividend will be declared in respect of the financial year ended 31 December 2023.

Name of dividend	Interim	Final
Dividend type	Nil	Nil
Dividend amount per share (in cents)	Nil	Nil
Tax rate	Nil	Nil

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the immediately preceding financial year ended 31 December 2022? Yes

Name of dividend	Interim	Final
Dividend type	Cash	Cash
Dividend amount per share (in cents)	0.8	1.2
Tax rate	Exempt	Exempt

(c) Date payable

Not applicable.

(d) Record date

Not applicable.



Breakdown of sales

	Full year ended 31 December 2023 S\$'000	Full year ended 31 December 2022 S\$'000	Variance	
			Increase/(decrease) S\$'000	%
<u>Sales</u>				
(a) Sales for the first half ("H1")	60,685	75,174	(14,489)	(19.3%)
(b) Sales for the second half ("H2")	62,324	68,547	(6,223)	(9.1%)
<i>(Decrease)/increase H2 from H1</i>	1,639	<i>(6,627)</i>		
<i>(Decrease)/increase H2 from H1 (%)</i>	2.7%	<i>(8.8%)</i>		
<u>Operating profit after tax</u>				
(c) Operating profit after tax and before attributing to non-controlling interests for H1	930	4,458	(3,528)	(79.1%)
(d) Operating profit after tax and before attributing to non-controlling interests for H2	(6,725)	1,609	(8,334)	NM
<i>(Decrease)/increase H2 from H1</i>	(7,655)	<i>(2,849)</i>		
<i>(Decrease)/increase H2 from H1 (%)</i>	NM	<i>(63.9%)</i>		

NM : not meaningful

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	56	Spouse of Mr Chew Choon Tee, the 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 2023, they do not have any relatives who are holding a managerial position in the Company or any of its principal subsidiaries: -

Chan Kam Loon	Director
Lee Bon Leong	Director
Tay Kin Bee	Director
Yasutaka Kawamura	Director



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 Catalist (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 Catalist Rules.

Disclosures on Acquisitions and Realisation of Shares pursuant to Rule 706(A) of the Catalist Rules

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 2023.

On behalf of the Board of Directors

Chew Choon Tee
Managing Director

21 February 2024