



# MEGACHEM LIMITED

## Condensed Interim Financial Statements

For The Second Half Year and Full  
Year Ended  
31 December 2022

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**CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT AND FOR THE SECOND HALF YEAR AND FULL YEAR ENDED 31 DECEMBER 2022**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND HALF  
YEAR ENDED 31 DECEMBER 2022**

	Note	Unaudited	Unaudited	Variance	
		For the half year ended 31 December 2022	For the half year ended 31 December 2021	Favourable/(Unfavourable) S\$	%
		S\$	S\$	S\$	%
<b>Revenue</b>	3	68,546,280	72,992,561	(4,446,281)	(6.1%)
Cost of sales		<u>(52,761,006)</u>	<u>(55,279,178)</u>	2,518,172	4.6%
<b>Gross profit</b>		15,785,274	17,713,383	(1,928,109)	(10.9%)
Other income	4	515,621	459,641	55,980	12.2%
Distribution costs		(8,229,287)	(9,169,561)	940,274	10.3%
Administrative expenses		(3,117,481)	(3,295,736)	178,255	5.4%
Other operating expenses		(2,192,006)	(1,446,423)	(745,583)	(51.5%)
Finance costs	5	(884,889)	(432,681)	(452,208)	> (100.0%)
Share of profit of associated companies		395,559	787,773	(392,214)	(49.8%)
<b>Profit before income tax</b>	6	<u>2,272,791</u>	<u>4,616,396</u>	(2,343,605)	(50.8%)
Income tax expense	7	<u>(663,925)</u>	<u>(405,133)</u>	(258,792)	(63.9%)
<b>Net profit after tax</b>		<u>1,608,866</u>	<u>4,211,263</u>	(2,602,397)	(61.8%)
<b>Other comprehensive income:</b>					
Exchange differences on translating foreign operations, net of tax		<u>(1,335,008)</u>	<u>(160,420)</u>	(1,174,588)	> (100.0%)
<b>Total comprehensive income</b>		<u>273,858</u>	<u>4,050,843</u>	(3,776,985)	(93.2%)
Net profit attributable to:					
Equity holders of the Company		1,615,572	3,990,087	(2,374,515)	(59.5%)
Non-controlling interests		<u>(6,706)</u>	<u>221,176</u>	(227,882)	> (100.0%)
<b>Net profit</b>		<u>1,608,866</u>	<u>4,211,263</u>	(2,602,397)	(61.8%)
Total comprehensive income attributable to:					
Equity holders of the Company		384,438	3,826,486	(3,442,048)	(90.0%)
Non-controlling interests		<u>(110,580)</u>	<u>224,357</u>	(334,937)	> (100.0%)
<b>Total comprehensive income</b>		<u>273,858</u>	<u>4,050,843</u>	(3,776,985)	(93.2%)
Earnings per share of profit attributable to equity holders of the Company during the financial period					
- basic and diluted	9	<u>1.21 cents</u>	<u>2.99 cents</u>	(1.78 cents)	(59.5%)



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FULL YEAR ENDED 31 DECEMBER 2022

	Note	Unaudited	Audited	Variance	
		For the full year ended 31 December 2022 S\$	For the full year ended 31 December 2021 S\$	S\$	%
<b>Revenue</b>	3	143,720,589	138,901,918	4,818,671	3.5%
Cost of sales		<u>(109,314,073)</u>	<u>(104,789,913)</u>	(4,524,160)	(4.3%)
<b>Gross profit</b>		34,406,516	34,112,005	294,511	0.9%
Other income	4	957,428	1,125,642	(168,214)	(14.9%)
Distribution costs		(17,176,901)	(17,580,631)	403,730	2.3%
Administrative expenses		(6,188,156)	(6,303,894)	115,738	1.8%
Other operating expenses		(3,910,752)	(2,978,226)	(932,526)	(31.3%)
Finance costs	5	(1,377,430)	(804,105)	(573,325)	(71.3%)
Share of profit of associated companies		1,119,427	1,614,931	(495,504)	(30.7%)
<b>Profit before income tax</b>	6	<u>7,830,132</u>	<u>9,185,722</u>	(1,355,590)	(14.8%)
Income tax expense	7	<u>(1,763,347)</u>	<u>(1,195,659)</u>	(567,688)	(47.5%)
<b>Net profit after tax</b>		<u>6,066,785</u>	<u>7,990,063</u>	(1,923,278)	(24.1%)
<b>Other comprehensive income:</b>					
Exchange differences on translating foreign operations, net of tax		<u>(1,971,543)</u>	<u>(489,785)</u>	(1,481,758)	> (100.0%)
<b>Total comprehensive income</b>		<u>4,095,242</u>	<u>7,500,278</u>	(3,405,036)	(45.4%)
Net profit attributable to:					
Equity holders of the Company		5,876,931	7,761,046	(1,884,115)	(24.3%)
Non-controlling interests		<u>189,854</u>	<u>229,017</u>	(39,163)	(17.1%)
<b>Net profit</b>		<u>6,066,785</u>	<u>7,990,063</u>	(1,923,278)	(24.1%)
Total comprehensive income attributable to:					
Equity holders of the Company		4,001,730	7,226,733	(3,225,003)	(44.6%)
Non-controlling interests		<u>93,512</u>	<u>273,545</u>	(180,033)	(65.8%)
<b>Total comprehensive income</b>		<u>4,095,242</u>	<u>7,500,278</u>	(3,405,036)	(45.4%)
Earnings per share of profit attributable to equity holders of the Company during the reporting period					
- basic and diluted	9	<u>4.41 cents</u>	<u>5.82 cents</u>	(1.41 cents)	(24.2%)



## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	Group		Company	
		Unaudited 31 December 2022 S\$	Audited 31 December 2021 S\$	Unaudited 31 December 2022 S\$	Audited 31 December 2021 S\$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	15,359,176	15,222,238	1,271,586	1,087,803
Right-of-use assets	12	2,589,994	2,798,547	1,008,388	1,040,916
Investment property	13	61,688	68,789	-	-
Investments in subsidiaries		-	-	5,723,472	6,023,472
Investments in associated companies		7,901,273	7,973,809	2,798,756	2,798,756
Transferable club memberships		25,268	26,662	4,001	4,001
Other receivables		-	-	962,936	1,392,587
Deferred tax assets		397,504	633,668	-	-
		<u>26,334,903</u>	<u>26,723,713</u>	<u>11,769,139</u>	<u>12,347,535</u>
<b>Current assets</b>					
Inventories	14	49,338,304	36,452,737	26,934,085	19,915,170
Trade and other receivables	15	27,567,016	31,138,575	21,651,468	20,864,565
Financial assets at fair value through profit or loss	16	33,168	564,314	6,903	550,000
Other current assets		1,879,486	4,515,346	328,356	1,659,486
Cash and bank balances		11,932,498	11,531,588	1,560,854	1,703,083
		<u>90,750,472</u>	<u>84,202,560</u>	<u>50,481,666</u>	<u>44,692,304</u>
<b>Total assets</b>		<u>117,085,375</u>	<u>110,926,273</u>	<u>62,250,805</u>	<u>57,039,839</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	17	15,892,028	15,892,028	15,892,028	15,892,028
Other reserves		(6,593,193)	(4,717,992)	-	-
Retained earnings		49,295,217	46,084,286	7,807,644	7,836,034
		<u>58,594,052</u>	<u>57,258,322</u>	<u>23,699,672</u>	<u>23,728,062</u>
Non-controlling interests		3,146,355	3,129,697	-	-
<b>Total equity</b>		<u>61,740,407</u>	<u>60,388,019</u>	<u>23,699,672</u>	<u>23,728,062</u>
<b>Non-current liabilities</b>					
Borrowings	18	916,667	1,416,667	916,667	1,416,667
Financial liabilities - lease liabilities		2,404,937	2,578,530	1,071,372	1,086,409
Deferred tax liabilities		216,549	-	130,000	-
		<u>3,538,153</u>	<u>3,995,197</u>	<u>2,118,039</u>	<u>2,503,076</u>
<b>Current liabilities</b>					
Current income tax liabilities		590,844	610,423	492,000	361,000
Trade and other payables	19	15,343,265	18,006,212	9,273,365	10,707,247
Borrowings	18	35,440,024	27,536,109	26,645,953	19,717,910
Financial liabilities - lease liabilities		324,602	355,321	15,037	14,306
Financial liabilities at fair value through profit or loss	20	108,080	34,992	6,739	8,238
		<u>51,806,815</u>	<u>46,543,057</u>	<u>36,433,094</u>	<u>30,808,701</u>
<b>Total liabilities</b>		<u>55,344,968</u>	<u>50,538,254</u>	<u>38,551,133</u>	<u>33,311,777</u>
<b>Total equity and liabilities</b>		<u>117,085,375</u>	<u>110,926,273</u>	<u>62,250,805</u>	<u>57,039,839</u>



## STATEMENT OF CHANGES IN EQUITY FOR THE FULL YEAR ENDED 31 DECEMBER 2022

		← 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 :							
<b>Opening balance at 1 January 2022</b>		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)
<b>Closing balance at 31 December 2022</b>		<b>61,740,407</b>	<b>58,594,052</b>	<b>15,892,028</b>	<b>(6,593,193)</b>	<b>49,295,217</b>	<b>3,146,355</b>
Previous year :							
<b>Opening balance at 1 January 2021</b>		55,287,141	52,430,989	15,892,028	(4,183,679)	40,722,640	2,856,152
Total comprehensive income for the reporting year		7,500,278	7,226,733	-	(534,313)	7,761,046	273,545
Final dividend relating to 2020 paid	8	(1,333,000)	(1,333,000)	-	-	(1,333,000)	-
Interim dividend relating to 2021 paid	8	(1,066,400)	(1,066,400)	-	-	(1,066,400)	-
<b>Closing balance at 31 December 2021</b>		<b>60,388,019</b>	<b>57,258,322</b>	<b>15,892,028</b>	<b>(4,717,992)</b>	<b>46,084,286</b>	<b>3,129,697</b>



**STATEMENT OF CHANGES IN EQUITY FOR THE FULL YEAR ENDED 31 DECEMBER 2022**

<u>The Company</u>	Note	Total equity S\$	Share capital S\$	Retained earnings S\$
Current year :				
<b>Opening balance at 1 January 2022</b>		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)
<b>Closing balance at 31 December 2022</b>		<b>23,699,672</b>	<b>15,892,028</b>	<b>7,807,644</b>
Previous year :				
<b>Opening balance at 1 January 2021</b>		22,245,467	15,892,028	6,353,439
Total comprehensive income for the reporting year		3,881,995	-	3,881,995
Final dividend relating to 2020 paid	8	(1,333,000)	-	(1,333,000)
Interim dividend relating to 2021 paid	8	(1,066,400)	-	(1,066,400)
<b>Closing balance at 31 December 2021</b>		<b>23,728,062</b>	<b>15,892,028</b>	<b>7,836,034</b>



**CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE FULL YEAR ENDED 31 DECEMBER 2022**

	Unaudited for the full year ended 31 December 2022 S\$	Audited for the full year ended 31 December 2021 S\$
<b>Cash flows from operating activities</b>		
Net profit	6,066,785	7,990,063
Adjustments for:		
Depreciation of property, plant and equipment and investment property	937,114	765,999
Depreciation of right-of-use assets	414,530	447,782
Dividend income	–	(4,851)
Gain on disposal of quoted equity shares	(147,060)	–
Gain on disposal of property, plant and equipment	(80,809)	(14,613)
Share of profit of associated companies	(1,119,427)	(1,614,931)
Income tax expense	1,763,347	1,195,659
Interest income from banks	(45,591)	(88,630)
Finance costs	1,377,430	(804,105)
Net changes in fair value of financial assets at fair value through profit and loss	(34,695)	(214,486)
Changes in fair value of financial liabilities at fair value through profit and loss	113,966	35,397
Operating cash flows before working capital changes	<u>9,245,590</u>	<u>9,301,494</u>
Change in operating assets and liabilities:		
Trade and other receivables	2,379,313	(6,806,505)
Other current assets	2,609,167	(1,983,685)
Inventories	(14,232,427)	(11,945,984)
Trade and other payables	(1,688,896)	4,422,028
Foreign exchanges differences	152,100	(67,183)
Cash used in operations	<u>(1,535,153)</u>	<u>(7,079,835)</u>
Income tax paid	(1,481,488)	(876,498)
Interest received	45,591	92,223
<b>Net cash used in operating activities</b>	<u>(2,971,050)</u>	<u>(7,864,110)</u>
<b>Cash flows from investing activities</b>		
Dividends received from associated company and listed equity	872,280	618,594
Purchase of property, plant and equipment	(1,664,632)	(3,423,480)
Proceeds from sales of quoted equity shares	697,060	–
Proceeds from sales of property, plant and equipment	83,229	14,899
<b>Net cash used in investing activities</b>	<u>(12,063)</u>	<u>(2,789,987)</u>
<b>Cash flows from financing activities</b>		
Dividends paid	(2,666,000)	(2,399,400)
Dividends paid by subsidiary to non-controlling shareholders	(76,854)	–
Repayments of long term bank loans	(500,000)	(933,701)
Proceeds from bills payables	4,395,564	6,686,405
Proceeds from short term bank loans	3,600,455	3,636,335
Lease liabilities paid	(548,305)	(548,591)
Interest paid	(1,052,452)	(635,567)
<b>Net cash from financing activities</b>	<u>3,152,408</u>	<u>5,805,481</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	169,295	(4,848,616)
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	(327,756)	42,445
<b>Cash and cash equivalents, statement of cash flow, ending balance</b>	<u>10,949,160</u>	<u>11,107,621</u>
Cash and cash equivalents comprised the followings:		
Cash and bank balances	11,932,498	11,531,588
Less : bank overdraft	(983,338)	(423,967)
	<u>10,949,160</u>	<u>11,107,621</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 2022 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 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 periods 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 31 December 2022 and the reported amounts of revenues and expenses for the half year and full year ended 31 December 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		full year ended	
	31 December		31 December (*)	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	S\$	S\$	S\$	S\$
Sale of goods	66,904,284	70,623,726	140,324,100	134,529,067
Rendering of services	<u>1,641,996</u>	<u>2,368,835</u>	<u>3,396,489</u>	<u>4,372,851</u>
Total sales	<u>68,546,280</u>	<u>72,992,561</u>	<u>143,720,589</u>	<u>138,901,918</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		Rendering of services	
	full year ended		full year ended	
	31 December (*)		31 December (*)	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	S\$	S\$	S\$	S\$
<b>Group</b>				
<b>Primary geographical markets</b>				
Singapore	55,692,820	48,139,630	3,396,489	4,372,851
Rest of geographical areas	<u>84,631,280</u>	<u>86,389,437</u>	<u>—</u>	<u>—</u>
Total sales	<u>140,324,100</u>	<u>134,529,067</u>	<u>3,396,489</u>	<u>4,372,851</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 2022 is unaudited; full year ended 31 December 2021 is audited.



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

### 4. Other income

	Group			
	unaudited half year ended 31 December		full year ended 31 December (*)	
	<u>2022</u> S\$	<u>2021</u> S\$	<u>2022</u> S\$	<u>2021</u> 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	34,695	14,486	34,695	14,486
Compensation claims	17,060	128,927	34,179	128,927
Dividend income from quoted corporations	—	4,851	—	4,851
Trade receivables recovered	400,134	169,861	548,732	337,677
Gain on disposal of quoted equity shares	—	—	147,060	—
Gain on disposal of property, plant and equipment	32,324	541	80,809	14,613
Government grant – others	6,376	20,537	55,505	53,465
Government grant – Jobs support scheme	—	56,177	—	266,637
Interest income – banks	22,248	34,696	45,591	88,630
Net foreign exchange gain	—	21,414	—	—
Rental income	2,784	8,151	10,857	16,356
Total other income	<u>515,621</u>	<u>459,641</u>	<u>957,428</u>	<u>1,125,642</u>

### 5. Finance costs

	Group			
	unaudited half year ended 31 December		full year ended 31 December (*)	
	<u>2022</u> S\$	<u>2021</u> S\$	<u>2022</u> S\$	<u>2021</u> S\$
Interest expense				
- Bills payable to banks	535,252	163,366	757,953	358,676
- Bank loans	220,916	155,715	374,916	237,856
- Bank overdraft	60,114	40,339	106,096	59,928
- Lease for right-of-use assets	68,607	73,261	138,465	147,645
Total finance costs	<u>884,889</u>	<u>432,681</u>	<u>1,377,430</u>	<u>804,105</u>

Note :

(\*) full year ended 31 December 2022 is unaudited; full year ended 31 December 2021 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 31 December		full year ended 31 December (*)	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	S\$	S\$	S\$	S\$
Cost of inventories	50,781,054	53,453,921	104,777,094	101,261,277
Changes in fair value of financial liabilities at fair value through profit or loss – forward foreign exchange contract	113,966	35,397	113,966	35,397
Depreciation of investment property	1,455	1,528	2,968	3,065
Depreciation of property, plant and equipment	505,661	364,180	934,146	762,934
Depreciation of right-of-use assets	174,707	238,783	414,530	447,782
Employee compensation	8,289,972	10,004,659	17,396,764	18,747,587
Net foreign exchange loss	559,986	–	871,658	160,957
Impairment of trade receivables	116,086	19,320	175,184	100,001
Inventories written down/(back)	530,386	(24,944)	1,171,374	137,056
Warehouse storage charges	1,386,470	1,319,886	2,874,950	2,604,070

### 7. Income tax expense

	Group			
	unaudited half year ended 31 December		full year ended 31 December (*)	
	<u>2022</u>	<u>2021</u>	<u>2021</u>	<u>2021</u>
	S\$	S\$	S\$	S\$
Current period:				
Current tax expense	345,583	587,188	1,266,476	1,336,953
Deferred tax expense/(benefit)	67,927	19,972	246,070	(28,585)
Sub-total	<u>413,510</u>	<u>607,160</u>	<u>1,512,546</u>	<u>1,308,368</u>
Prior periods:				
Under/(over) adjustments for current tax expense	42,517	(83,152)	44,158	(68,929)
Under/(over) adjustments for deferred tax expense	207,898	(118,875)	206,643	(43,780)
Sub-total	<u>250,415</u>	<u>(202,027)</u>	<u>250,801</u>	<u>(112,709)</u>
Total income tax expense	<u><u>663,925</u></u>	<u><u>405,133</u></u>	<u><u>1,763,347</u></u>	<u><u>1,195,659</u></u>

Note :

(\*) full year ended 31 December 2022 is unaudited; full year ended 31 December 2021 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	S\$	S\$	S\$	S\$
Final tax exempt dividend paid of 1.2 cents (2021: tax exempt of 1.0 cents) per share in respect of previous reporting year	–	–	1,599,600	1,333,000
Interim tax exempt dividend paid of 0.8 cents (2021: tax exempt of 0.8 cents) per share in respect of current reporting year	<u>1,066,400</u>	<u>1,066,400</u>	<u>1,066,400</u>	<u>1,066,400</u>
Total dividends paid	<u>1,066,400</u>	<u>1,066,400</u>	<u>2,666,000</u>	<u>2,399,400</u>

### 9. Earnings per ordinary share (in cents)

	Group			
	unaudited half year ended		full year ended	
	31 December		31 December (*)	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
a) Based on weighted average number of ordinary shares in issue	1.21	2.99	4.41	5.82
b) On a fully diluted basis	1.21	2.99	4.41	5.82
Weighted average number of ordinary shares in issue for earnings per share	<u>133,300,000</u>	<u>133,300,000</u>	<u>133,300,000</u>	<u>133,300,000</u>

### 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net asset value per ordinary share based on issued share capital (cents)	43.96	42.95	17.78	17.80
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 2022 is unaudited; full year ended 31 December 2021 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 2022, the Group acquired property, plant and equipment with an aggregate cost of S\$368,005 (half year ended 31 December 2021: S\$715,611), of which S\$Nil (half year ended 31 December 2021: S\$449,545) relates to construction in progress.

During the full year ended 31 December 2022, the Group acquired property, plant and equipment with an aggregate cost of S\$1,664,632 (full year ended 31 December 2021: S\$3,423,480), of which S\$Nil (full year ended 31 December 2021: S\$2,989,235) relates to construction in progress.

Capital commitment of the Group as at 31 December 2022 amounted to S\$669,669 (31 December 2021: S\$742,088).

### 12. Right-of-use assets

During the full year ended 31 December 2022, the Group acquired right-of-use assets with an aggregate cost of S\$235,753 (full year ended 31 December 2021: S\$580,765).

### 13. Investment property

	Group	
	Unaudited 31 December <u>2022</u> S\$	Audited 31 December <u>2021</u> S\$
<u>At cost:</u>		
Balance at beginning of reporting period	136,218	138,254
Currency translation differences	(8,380)	(2,036)
Balance at end of reporting period	<u>127,838</u>	<u>136,218</u>
<u>Accumulated depreciation:</u>		
Balance at beginning of reporting period	67,429	65,333
Depreciation charge	2,968	3,065
Currency translation differences	(4,247)	(969)
Balance at end of reporting period	<u>66,150</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>61,688</u>	<u>68,789</u>
<u>Fair value:</u>		
Fair value at end of reporting period	<u>293,179</u>	<u>312,399</u>

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 31 December 2022 S\$	Audited 31 December 2021 S\$	Unaudited 31 December 2022 S\$	Audited 31 December 2021 S\$
Finished/trading goods	49,338,304	36,452,737	26,934,085	19,915,170

Inventories are stated after allowance. The allowance as at 31 December 2022 amounted to S\$4,661,436 (31 December 2021: S\$4,001,111) and S\$1,858,000 (31 December 2021: S\$1,071,000) for the Group and the Company respectively.

### 15. Trade and other receivables

	Group		Company	
	Unaudited 31 December 2022 S\$	Audited 31 December 2021 S\$	Unaudited 31 December 2022 S\$	Audited 31 December 2021 S\$
<i>Current :</i>				
<u>Trade receivables:</u>				
Non-related parties	27,537,366	30,939,251	10,487,856	8,738,614
Subsidiaries	–	–	8,207,681	8,534,743
Associated company	47,662	160,059	18,048	155,757
Less: allowance for impairment – non-related parties	(558,948)	(522,572)	(24,127)	(36,805)
Less: allowance for impairment – subsidiaries	–	–	(1,582,000)	(1,585,000)
Net trade receivables – subtotal	27,026,080	30,576,738	17,107,458	15,807,309
<u>Other receivables:</u>				
Short term loans to subsidiaries	–	–	3,908,213	4,583,226
Loan term loans to subsidiaries	–	–	393,210	275,000
Subsidiaries	–	–	1,912,931	1,902,285
Associated company	1,627	–	1,627	–
Non-related parties	539,309	561,837	57,029	54,745
Less: allowance for impairment - subsidiaries	–	–	(1,729,000)	(1,758,000)
Net other receivables – subtotal	540,936	561,837	4,544,010	5,057,256
Total net trade and other receivables - current	27,567,016	31,138,575	21,651,468	20,864,565
<i>Non-current:</i>				
<u>Other receivables:</u>				
Long term loans to subsidiaries	–	–	1,191,936	1,589,587
Less: allowance for impairment	–	–	(229,000)	(197,000)
Total other receivables – non-current	–	–	962,936	1,392,587
Total trade and other receivables	27,567,016	31,138,575	22,614,404	22,257,152

**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 2022 S\$	31 December 2021 S\$	31 December 2022 S\$	31 December 2021 S\$
At fair value:				
Listed equity securities – Singapore (Level 1)	–	550,000	–	550,000
Forward foreign exchange contracts (Level 2)	33,168	14,314	6,903	–
Total financial assets at fair value through profit or loss	<u>33,168</u>	<u>564,314</u>	<u>6,903</u>	<u>550,000</u>

**17. Share capital**

	Group and Company	
	No of shares issued	Share capital \$
Ordinary shares of no par value:		
Balance at 31 December 2021, 30 June 2022 and 31 December 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 period reported on being 30 June 2022.

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 2022 and 31 December 2021.

There were no outstanding convertibles and subsidiary holdings as at the end of the reporting periods ended 31 December 2022 and 31 December 2021.

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





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

### 18. Borrowings

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31 December 2022 S\$	31 December 2021 S\$	31 December 2022 S\$	31 December 2021 S\$
<i>Current :</i>				
Bank overdraft (unsecured)	983,338	423,967	–	–
Bill payables (unsecured)	17,192,759	15,372,360	13,438,853	11,689,505
Short term bank loans (unsecured)	13,969,751	8,428,405	12,707,100	7,528,405
Long term bank loans (unsecured)	500,000	500,000	500,000	500,000
Unsecured sub-total	<u>32,645,848</u>	<u>24,724,732</u>	<u>26,645,953</u>	<u>19,717,910</u>
Bill payables (secured)	2,568,111	471,332	–	–
Short term bank loans (secured)	226,065	2,340,045	–	–
Secured sub-total	<u>2,794,176</u>	<u>2,811,377</u>	<u>–</u>	<u>–</u>
Current, total	<u>35,440,024</u>	<u>27,536,109</u>	<u>26,645,953</u>	<u>19,717,910</u>
<i>Non-current:</i>				
Long term bank loans (unsecured)	916,667	1,416,667	916,667	1,416,667
Non-current, total	<u>916,667</u>	<u>1,416,667</u>	<u>916,667</u>	<u>1,416,667</u>
Total borrowings	<u>36,356,691</u>	<u>28,952,776</u>	<u>27,562,620</u>	<u>21,134,577</u>

The secured bill payables and short term bank loans as at 31 December 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.

### 19. Trade and other payables

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31 December 2022 S\$	31 December 2021 S\$	31 December 2022 S\$	31 December 2021 S\$
<u>Trade payables:</u>				
Non-related parties	6,769,669	8,328,657	2,995,674	3,546,554
Associated company	10,681	–	1,918	–
Related parties	64,446	–	–	–
Subsidiaries	–	–	506,346	920,273
Trade payables – subtotal	<u>6,844,796</u>	<u>8,328,657</u>	<u>3,503,938</u>	<u>4,466,827</u>



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

### 19. Trade and other payables (cont'd)

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31 December 2022 S\$	31 December 2021 S\$	31 December 2022 S\$	31 December 2021 S\$
<u>Other payables:</u>				
Associated company	2,843	4,098	–	1,240
Subsidiaries	–	–	260,305	95,973
Loan from subsidiary	–	–	1,262,702	1,485,770
Advance payments from customers	266,213	405,827	13,631	3,210
Advance payments from subsidiary	–	–	–	466,281
Accrued liabilities	5,948,646	6,371,360	3,023,630	3,269,178
Other payables	<u>2,280,767</u>	<u>2,896,270</u>	<u>1,209,159</u>	<u>918,768</u>
Other payables – subtotal	<u>8,498,469</u>	<u>9,677,555</u>	<u>5,769,427</u>	<u>6,240,420</u>
Total trade and other payables	<u>15,343,265</u>	<u>18,006,212</u>	<u>9,273,365</u>	<u>10,707,247</u>

### 20. Financial liabilities at fair value through profit and loss

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31 December 2022 S\$	31 December 2021 S\$	31 December 2022 S\$	31 December 2021 S\$
<u>At fair value:</u>				
Forward foreign exchange contracts (Level 2)	<u>108,080</u>	<u>34,992</u>	<u>6,739</u>	<u>8,238</u>
Total financial liabilities at fair value through profit or loss	<u>108,080</u>	<u>34,992</u>	<u>6,739</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>
	S\$'000	S\$'000	S\$'000	S\$'000
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
As at 31 December 2021				
<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>
	S\$'000	S\$'000	S\$'000	S\$'000
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
As at 31 December 2021				
<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 31 December 2022 S\$'000	Audited 31 December 2021 S\$'000	Unaudited 31 December 2022 S\$'000	Audited 31 December 2021 S\$'000
<u>Financial assets</u>				
Financial assets at amortised cost	39,500	42,670	24,175	23,960
Financial assets at FVTPL	33	564	7	550
At end of the reporting period	<u>39,533</u>	<u>43,234</u>	<u>24,182</u>	<u>24,510</u>
<u>Financial liabilities</u>				
Financial liabilities at amortised cost	54,163	49,487	37,909	32,473
Financial liabilities at FVTPL	108	35	7	8
At end of the reporting period	<u>54,271</u>	<u>49,522</u>	<u>37,916</u>	<u>32,481</u>

### 23. Contingent liabilities

	Company	
	Unaudited 31 December 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)	2,422	2,725
Megachem Speciality Chemicals (I) Private Limited	342	-
Corporate guarantee provided to banks on subsidiaries' loans payable	<u>8,794</u>	<u>7,818</u>

### 24. Related party transactions

	Group			
	unaudited half year ended 31 December		full year ended 31 December (*)	
	2022 S\$	2021 S\$	2022 S\$	2021 S\$
<u>Associated companies</u>				
Sales of inventories	282,205	266,346	510,546	519,958
Purchases of inventories	<u>(50,443)</u>	<u>(33,082)</u>	<u>(97,514)</u>	<u>(71,683)</u>
<u>Related parties</u>				
Purchases of inventories <sup>(a)</sup>	<u>(421,353)</u>	<u>(6,544)</u>	<u>(709,756)</u>	<u>(261,972)</u>

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

Note :

(\*) full year ended 31 December 2022 is unaudited; full year ended 31 December 2021 is audited.



**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 are no sales to Chori Co., Ltd and its corporation under shareholders' mandate pursuant to Rule 920 for the full year ended 31 December 2022.

The Group purchased products from Chori Co., Ltd and its related corporations amounting to S\$709,756 in the full year ended 31 December 2022.

Name of interested person	Aggregate value of all interested person transactions during the full year ended 31 December 2022 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 2022 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\$461,013



## 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
<b>For the reporting year ended 31 December 2022</b>							
<b>Sales</b>							
Total sales by segment	69,049	13,990	23,707	12,322	41,628	-	160,696
Inter-segment sales	(9,960)	(224)	(2,346)	(4,297)	(148)	-	(16,975)
	<u>59,089</u>	<u>13,766</u>	<u>21,361</u>	<u>8,025</u>	<u>41,480</u>	<u>-</u>	<u>143,721</u>
<b>Segment result</b>							
Interest income - bank	3,554	1,881	633	262	1,713	45	8,043
Finance costs						(1,377)	45
Share of profit of associated companies						<u>1,119</u>	<u>1,119</u>
Profit before income tax						(213)	7,830
Income tax expense						<u>(1,763)</u>	<u>(1,763)</u>
<b>Net profit</b>	<u>3,554</u>	<u>1,881</u>	<u>633</u>	<u>262</u>	<u>1,713</u>	<u>(1,976)</u>	<u>6,067</u>
<b>Other segment items</b>							
Capital expenditure	803	738	13	5	106	-	1,665
Depreciation	683	205	78	75	311	-	1,352
<b>Segment assets</b>							
Associated companies	49,253	17,026	8,474	5,308	27,352	-	107,413
Deferred tax assets						7,901	7,901
Interest earning cash balances						398	398
						<u>1,373</u>	<u>1,373</u>
<b>Consolidated total assets</b>	<u>49,253</u>	<u>17,026</u>	<u>8,474</u>	<u>5,308</u>	<u>27,352</u>	<u>9,672</u>	<u>117,085</u>
<b>Segment liabilities</b>							
Borrowings	(10,751)	(433)	(2,861)	(701)	(3,435)	-	(18,181)
Current income tax liabilities						(36,357)	(36,357)
Deferred tax liabilities						(591)	(591)
						<u>(216)</u>	<u>(216)</u>
<b>Consolidated total liabilities</b>	<u>(10,751)</u>	<u>(433)</u>	<u>(2,861)</u>	<u>(701)</u>	<u>(3,435)</u>	<u>(37,164)</u>	<u>(55,345)</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
<b>For the reporting year ended 31 December 2021</b>							
<b>Sales</b>							
Total sales by segment	62,674	14,436	24,802	15,877	37,844	-	155,633
Inter-segment sales	(10,162)	(538)	(2,512)	(3,179)	(340)	-	(16,731)
	<u>52,512</u>	<u>13,898</u>	<u>22,290</u>	<u>12,698</u>	<u>37,504</u>	<u>-</u>	<u>138,902</u>
<b>Segment result</b>							
Interest income - bank	2,650	2,061	729	506	2,340	-	8,286
Finance costs						89	89
Share of profit of associated companies						(804)	(804)
Profit before income tax						<u>1,615</u>	<u>1,615</u>
Income tax expense						900	9,186
<b>Net profit</b>	<u>2,650</u>	<u>2,061</u>	<u>729</u>	<u>506</u>	<u>2,340</u>	<u>(1,196)</u>	<u>(1,196)</u>
<b>Other segment items</b>							
Capital expenditure	195	3,156	-	1	71	-	3,423
Depreciation	651	114	97	83	269	-	1,214
<b>Segment assets</b>							
Associated companies	42,892	17,381	9,568	5,291	25,847	-	100,979
Deferred tax assets						7,974	7,974
Interest earning cash balances						634	634
<b>Consolidated total assets</b>	<u>42,892</u>	<u>17,381</u>	<u>9,568</u>	<u>5,291</u>	<u>25,847</u>	<u>1,339</u>	<u>1,339</u>
<b>Segment liabilities</b>							
Borrowings	(11,172)	(549)	(4,021)	(1,250)	(3,983)	-	(20,975)
Current income tax liabilities						(28,953)	(28,953)
<b>Consolidated total liabilities</b>	<u>(11,172)</u>	<u>(549)</u>	<u>(4,021)</u>	<u>(1,250)</u>	<u>(3,983)</u>	<u>(610)</u>	<u>(610)</u>
	<u>(11,172)</u>	<u>(549)</u>	<u>(4,021)</u>	<u>(1,250)</u>	<u>(3,983)</u>	<u>(29,563)</u>	<u>(50,538)</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
<b>For the reporting year ended 31 December 2022</b>				
<b>Sales</b>				
Total sales by segment	139,821	4,694	-	144,515
Inter-segment sales	(60)	(734)	-	(794)
	<u>139,761</u>	<u>3,960</u>	<u>-</u>	<u>143,721</u>
<b>Segment result</b>				
Interest income - bank	7,565	478	-	8,043
Finance costs			45	45
Share of profit of associated companies			(1,377)	(1,377)
Profit before income tax			<u>1,119</u>	<u>1,119</u>
Income tax expense			(213)	7,830
<b>Net profit</b>	<u>7,565</u>	<u>478</u>	<u>(1,763)</u>	<u>6,067</u>
<b>Other segment items</b>				
Capital expenditure	1,392	273	-	1,665
Depreciation	<u>1,048</u>	<u>304</u>	<u>-</u>	<u>1,352</u>
	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
<b>Segment assets</b>	100,719	6,694	-	107,413
Associated companies			7,901	7,901
Deferred tax assets			398	398
Interest earning cash balances			<u>1,373</u>	<u>1,373</u>
<b>Consolidated total assets</b>	<u>100,719</u>	<u>6,694</u>	<u>9,672</u>	<u>117,085</u>
<b>Segment liabilities</b>	(16,279)	(1,902)	-	(18,181)
Borrowings			(36,357)	(36,357)
Current income tax liabilities			(591)	(591)
Deferred income tax liabilities			<u>(216)</u>	<u>(216)</u>
<b>Consolidated total liabilities</b>	<u>(16,279)</u>	<u>(1,902)</u>	<u>(37,164)</u>	<u>(55,345)</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
<b>For the reporting year ended</b>				
<b>31 December 2021</b>				
<b>Sales</b>				
Total sales by segment	134,178	5,528	-	139,706
Inter-segment sales	(268)	(536)	-	(804)
	<u>133,910</u>	<u>4,992</u>	<u>-</u>	<u>138,902</u>
<b>Segment result</b>				
Interest income - bank	8,051	235	-	8,286
Finance costs			89	89
Share of profit of associated companies			(804)	(804)
Profit before income tax			<u>1,615</u>	<u>1,615</u>
Income tax expense			900	9,186
			<u>(1,196)</u>	<u>(1,196)</u>
<b>Net profit</b>	<u>8,051</u>	<u>235</u>	<u>(296)</u>	<u>7,990</u>
<b>Other segment items</b>				
Capital expenditure	3,349	74	-	3,423
Depreciation	921	293	-	1,214
<b>Segment assets</b>				
Associated companies	93,815	7,164	-	100,979
Deferred tax assets			7,974	7,974
Interest earning cash balances			634	634
			<u>1,339</u>	<u>1,339</u>
<b>Consolidated total assets</b>	<u>93,815</u>	<u>7,164</u>	<u>9,947</u>	<u>110,926</u>
<b>Segment liabilities</b>				
Borrowings	(18,941)	(2,034)	-	(20,975)
Current income tax liabilities			(28,953)	(28,953)
			<u>(610)</u>	<u>(610)</u>
<b>Consolidated total liabilities</b>	<u>(18,941)</u>	<u>(2,034)</u>	<u>(29,563)</u>	<u>(50,538)</u>

## OTHER INFORMATION

### AUDIT

The statements of financial position as at 31 December 2022 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

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

Profitability Highlights	H2 2022	H1 2022	Variance H2 2022 vs H1 2022		H2 2021	Variance H2 2022 vs H2 2021	
			Fav/(Unfav)	%		Fav/(Unfav)	%
Sales (S\$'mil)	68.5	75.2	(6.7)	(8.8%)	73.0	(4.5)	(6.1%)
Gross profit (S\$'mil)	15.8	18.6	(2.8)	(15.2%)	17.7	(1.9)	(10.9%)
Gross profit margin	23.0%	24.8%	(1.8% pts)	na	24.3%	(1.3% pts)	na
Total operating expenses and finance costs (S\$'mil)	14.4	14.5	0.1	0.7%	14.3	(0.1)	(0.6%)
Other income (S\$'000)	516	735	(219)	(29.9%)	460	56	12.2%
Share of profit of associated companies (S\$'000)	396	724	(328)	(45.4%)	788	(392)	(49.8%)
Profit before income tax (S\$'mil)	2.3	5.6	(3.3)	(59.1%)	4.6	(2.3)	(50.8%)
Net profit (S\$'mil)	1.6	4.5	(2.9)	(63.9%)	4.2	(2.6)	(61.8%)
Net profit margin	2.3%	5.9%	(3.6% pts)	na	5.8%	(3.5% pts)	na
EBITDA (S\$'mil)	3.8	6.7	(2.9)	(43.0%)	5.6	(1.8)	(32.1%)
EBITDA margin	5.6%	8.9%	(3.3% pts)	na	7.7%	(2.1% pts)	na
Earnings per share attributable to the equity holders of the Company (cents)	1.21	3.20	(1.99)	(62.2%)	2.99	(1.78)	(59.5%)
Annualised return on equity (ROE)	5.5%	14.4%	(8.9% pts)	na	13.9%	(8.4% pts)	na

na : not applicable

## REVIEW OF PERFORMANCE (cont'd)

### Key Financial Highlights (cont'd)

Profitability Highlights	FY 2022	FY 2021	Variance FY 2022 vs FY 2021	
			Fav/(Unfav)	%
Sales (S\$'mil)	143.7	138.9	4.8	3.5%
Gross profit (S\$'mil)	34.4	34.1	0.3	0.9%
Gross profit margin	23.9%	24.6%	(0.7%)	na
Total operating expenses and finance cost (S\$'mil)	28.7	27.7	(1.0)	(3.6%)
Other income (S\$'000)	957	1,126	(169)	(14.9%)
Share of profit of associated companies (S\$'000)	1,119	1,615	(496)	(30.7%)
Profit before income tax (S\$'mil)	7.8	9.2	(1.4)	(14.8%)
Net profit after tax (S\$'mil)	6.1	8.0	(1.9)	(24.1%)
Net profit after tax margin	4.2%	5.8%	(1.6%)	na
EBITDA (S\$'mil)	10.5	11.1	(0.6)	(5.4%)
EBITDA margin	7.3%	8.0%	(0.7%)	na
Earnings per share attributable to the equity holders of the Company (cents)	4.41	5.82	(1.41)	(24.2%)
Annualised return on equity (ROE)	10.0%	13.6%	(3.6%)	na

na : not applicable

### Profitability Review

#### (a) Sales

	H2 2022 S\$'000	H1 2022 S\$'000	Variance Fav/(Unfav) H2 2022 vs H1 2022		H2 2021 S\$'000	Variance Fav/(Unfav) H2 2022 vs H2 2021	
			S\$'000	%		S\$'000	%
ASEAN	37,388	45,692	(8,304)	(18.2)	37,274	114	0.3
Europe	8,953	9,395	(442)	(4.7)	10,275	(1,322)	(12.9)
Middle East	5,749	6,478	(729)	(11.3)	5,383	366	6.8
North Asia	5,974	5,452	522	9.6	9,281	(3,307)	(35.6)
Australia	7,835	4,184	3,651	87.3	6,538	1,297	19.8
South Asia	1,989	3,691	(1,702)	(46.1)	3,708	(1,719)	(46.4)
America	104	127	(23)	(18.1)	486	(382)	(78.6)
Africa	555	155	400	258.1	48	507	NM
Total	68,547	75,174	(6,627)	(8.8)	72,993	(4,446)	(6.1)

## REVIEW OF PERFORMANCE (cont'd)

### Profitability Review (cont'd)

#### (a) Sales (cont'd)

	FY 2022		FY 2021		Variance S\$'000	Fav/(Unfav) %
	S\$'000	%	S\$'000	%		
ASEAN	83,080	57.8	76,396	55.0	6,684	8.7
Europe	18,348	12.8	18,567	13.4	(219)	(1.2)
Middle East	12,227	8.5	9,048	6.5	3,179	35.1
Australia	12,019	8.4	10,893	7.8	1,126	10.3
North Asia	11,426	7.9	16,951	12.2	(5,525)	(32.6)
South Asia	5,680	3.9	6,368	4.6	(688)	(10.8)
America	231	0.2	617	0.5	(386)	(62.6)
Africa	710	0.5	62	-	648	NM
<b>Total</b>	<b>143,721</b>	<b>100.0</b>	<b>138,902</b>	<b>100.0</b>	<b>4,819</b>	<b>3.5</b>

### Geographic Segment Sales Analysis

#### H2 2022 vs H1 2022

Demand for chemicals softened in the second half of 2022 ("H2 2022") as a result of high inflationary pressure globally leading to slowing economic growth. Most of our markets recorded lower sales over first half of 2022 ("H1 2022") except for Australia, North Asia and Africa markets. The biggest decrease came from ASEAN market which recorded a decrease in sales of S\$8.3 million or 18.2% as compared to H1 2022. This was followed by South Asia market which recorded a decrease in sales of S\$1.7 million or 46.1%. Other markets such as Europe and Middle East recorded lower sales of S\$0.4 million or 4.7% and S\$0.7 million or 11.3% respectively.

Sales to North Asia market picked up by S\$0.5 million in H2 2022. Sales to Australia market increased by S\$3.7 million or 87.3% after a sharp dip in H1 2022 while sales to Africa market grew from a small base.

This resulted in a decrease in total sales of S\$6.6 million or 8.8% to S\$68.5 million in H2 2022 vis-à-vis sales of S\$75.2 million in H1 2022.

#### H2 2022 vs H2 2021

As economic growth slowed down in H2 2022, total sales decreased by S\$4.4 million or 6.1% as compared to second half of 2021 ("H2 2021"). Most of our markets recorded lower sales over H2 2021. Sales to North Asia market recorded a decrease of S\$3.3 million or 35.6% while sales to South Asia and Europe markets declined by S\$1.7 million or 46.4% and S\$1.3 million or 12.9% respectively. Sales to America markets fell by a smaller magnitude of \$0.4 million.

Sales to Australia market increased by S\$1.3 million while sales to Middle East and Africa markets increased by S\$0.4 million or 6.8% and S\$0.5 million respectively. Sales to ASEAN market were relatively unchanged.

#### FY 2022 vs FY 2021

Sales for the full year of 2022 ("FY 2022") increased by S\$4.8 million or 3.5% as compared to full year of 2021 ("FY 2021"). Sales performance across the various markets were mixed.

Sales to ASEAN and Middle East markets grew by S\$6.7 million or 8.7% and S\$3.2 million or 35.1% respectively. Other markets such as Australia and Africa performed better as well with higher sales recorded of S\$1.1 million and S\$0.6 million year-on-year.

On the other hand, sales to North Asia, South Asia and America markets contracted as compared to FY 2021. Sales to North Asia market fell by S\$5.5 million or 32.6% while sales to South Asia and America markets recorded lower sales of S\$0.7 million and S\$0.4 million respectively. Sales to Europe markets were relatively flat.

## REVIEW OF PERFORMANCE (cont'd)

### Profitability Review (cont'd)

#### (a) Sales (cont'd)

##### Business Activity Segment Sales Breakdown

	H2 2022		H1 2022		Variance Fav/(Unfav)		H2 2021		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	S\$'000	H2 2022 vs H1 2022	%	S\$'000	S\$'000	H2 2022 vs H2 2021	%
Distribution activity	66,587	73,174	(6,587)	(9.0)	70,465	(3,878)	(5.5)			
Manufacturing activity	1,960	2,000	(40)	(2.0)	2,528	(568)	(22.5)			
Total Sales	68,547	75,174	(6,627)	(8.8)	72,993	(4,446)	(6.1)			

	FY 2022		FY 2021		Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	S\$'000	%	%
Distribution activity	139,761	133,910	5,851	4.4		
Manufacturing activity	3,960	4,992	(1,032)	(20.7)		
Total Sales	143,721	138,902	4,819	3.5		

##### H2 2022 vs H1 2022

##### H2 2022 vs H2 2021

Both segments recorded lower sales in H2 2022 as compared to H1 2022 and H2 2021.

Sales from distribution segments decreased by S\$6.6 million or 9.0% and S\$3.9 million or 5.5% in H2 2022 over H1 2022 and H2 2021 respectively.

Sales from the contract manufacturing segment contracted by S\$40,000 or 2.0% and S\$0.6 million or 22.5% in H2 2022 over H1 2022 and H2 2021 respectively.

##### FY 2022 vs FY 2021

Year-on-year, sales from distribution segment increased by S\$5.9 million or 4.4% while sales from manufacturing segment decreased by S\$1.0 million or 20.7%.

#### (b) Gross profit

##### H2 2022 vs H1 2022

##### H2 2022 vs H2 2021

Gross profit margin dipped in H2 2022 (23.0%) as compared to H1 2022 (24.8%) and H2 2021 (24.3%). The lower gross profit margin due was mainly due to lower gross profit margin in some markets. Higher allowance for inventory was also recorded in H2 2022 vis-à-vis H2 2021.

As sales achieved in H2 2022 were lower as compared to H1 2022 and H2 2021, gross profit decreased by S\$2.8 million or 15.2% over H1 2022 and S\$1.9 million or 10.9% as compared to H2 2021.

## REVIEW OF PERFORMANCE (cont'd)

### Profitability Review (cont'd)

#### (b) Gross profit (cont'd)

##### FY 2022 vs FY 2021

Gross profit margin for FY 2022 declined to 23.9% as compared to 24.6% in FY 2021 mainly due to higher allowance for inventory in FY 2022.

As higher sales were achieved in FY 2022, gross profit increased year-on-year by S\$0.3 million or 0.9% to S\$34.4 million.

#### (c) Other income

			Variance Fav/(Unfav)				Variance Fav/(Unfav)	
	H2 2022	H1 2022	H2 2022 vs H1 2022		H2 2021	H2 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	35	159	(124)	(78.1)	14	21	139.5	
Compensation claims	17	17	-	NM	129	(112)	(86.8)	
Gain on disposal of quoted equity shares	-	147	(147)	(100.0)	-	-	-	
Gain on disposal of plant and equipment	32	48	(16)	(33.3)	-	32	NM	
Grant income	6	49	(43)	(87.0)	77	(71)	(91.7)	
Interest income	22	23	(1)	(4.7)	35	(13)	(35.9)	
Net foreign exchange gain	-	-	-	-	21	(21)	(100.0)	
Trade receivables recovered	400	283	117	41.2	170	230	135.6	
	FY 2022	FY 2021	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	14	21	139.5				
- quoted equity security	-	200	(200)	(100.0)				
Gain on disposal of quoted equity shares	147	-	147	NM				
Gain on disposal of plant and equipment	81	15	66	453.0				
Compensation claims	34	129	(95)	(73.5)				
Grant income	55	320	(265)	(82.7)				
Interest income	46	89	(43)	(48.6)				
Trade receivables recovered	549	338	211	62.5				

NM : not meaningful

## REVIEW OF PERFORMANCE (cont'd)

### Profitability Review (cont'd)

#### (c) Other income (cont'd)

##### H2 2022 vs H1 2022

Other income in H2 2022 decreased by S\$219,000 or 29.9% as compared to H1 2022. This was mainly due to the absence of gain on disposal of quoted equity shares of S\$147,000, lower fair value gain of S\$124,000 from forward exchange contracts, lower grant income of S\$43,000 and lower gain on disposal of plant and equipment of S\$16,000.

The decrease was partially offset by higher trade receivables recovered of S\$117,000.

##### H2 2022 vs H2 2021

Other income increased by S\$56,000 or 12.2% over H2 2021 mainly due to higher trade receivables recovered of S\$230,000, higher gain on disposal of plant and equipment of S\$32,000 and higher fair value gain of S\$21,000 from forward exchange contracts.

The increase was offset by lower compensation claims of S\$112,000, lower grant income of S\$71,000, lower interest income of S\$13,000 and the absence of net foreign exchange gain of S\$21,000.

##### FY 2022 vs FY 2021

Other income decreased by S\$168,000 or 14.9% year-on-year. This was mainly due to lower grant income of S\$265,000, absence of fair value gain on quoted equity shares of S\$200,000, lower compensation claims of S\$95,000 and lower interest income of S\$43,000.

The decrease was partly offset by higher trade receivables recovered of S\$211,000, gain on disposal of quoted equity shares of S\$147,000, higher gain on disposal of plant and equipment of S\$66,000 and higher fair value gain of S\$21,000 from forward exchange contracts.

#### (d) Operating expenses

			Variance Fav/(Unfav)		Variance Fav/(Unfav)		
	H2 2022	H1 2022	H2 2022 vs H1 2022	H2 2021	H2 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	114	-	(114)	NM	35	(79)	(222.0)
Depreciation of property, plant and equipment	482	410	(72)	(17.5)	347	(135)	(38.9)
Depreciation of right-of-use assets	175	240	65	27.2	239	64	26.8
Employee compensation	7,798	8,593	795	9.3	9,389	1,591	16.9
Impairment of doubtful trade receivables	116	194	78	40.1	19	(97)	NM
Net foreign exchange loss	560	470	(90)	(19.2)	-	(560)	NM
Travelling expenses	420	263	(157)	(59.5)	226	(194)	(85.4)
Warehouse storage charges	1,387	1,488	101	6.9	1,320	(67)	(5.0)

## REVIEW OF PERFORMANCE (cont'd)

### Profitability Review (cont'd)

#### (d) Operating expenses (cont'd)

	FY 2022 S\$'000	FY 2021 S\$'000	Variance S\$'000	Fav/(Unfav) %
Change in fair value of financial liabilities at fair value through profit or loss				
- forward foreign exchange contracts	114	35	(79)	(222.0)
Depreciation of property, plant and equipment	892	733	(159)	(21.6)
Depreciation of right-of-use assets	415	448	(33)	(7.4)
Employee remuneration	16,391	17,663	1,272	7.2
Impairment of trade receivables	175	100	(75)	(75.2)
Net foreign exchange loss	872	161	(711)	NM
Warehouse storage charges	2,875	2,604	(271)	(10.4)
Travelling expenses	683	435	(248)	(56.9)

#### H2 2022 vs H1 2022

H2 2022 operating expenses decreased by S\$0.5 million or 3.5% over compared to H1 2022. The decrease was mainly due to lower employee remuneration of S\$0.8 million as performance-related rewards were lower in line with lower profitability. Lower inventory purchases in H2 2022 resulted in a decrease in warehouse storage charges of S\$0.1 million.

The decrease was offset by higher fair value loss from forward contract and higher net foreign exchange loss totalled S\$0.2 million, higher depreciation of property, plant and equipment of S\$0.1 mil and higher travelling expenses of S\$0.2 million as there were more travels in H2 2022.

#### H2 2022 vs H2 2021

As compared to H2 2021, total operating expenses decreased by S\$0.4 million or 2.7%. Similarly, the decrease was mainly due to lower employee remuneration of S\$1.6 million for the same reason as noted above.

The decrease was offset by net foreign exchange loss of S\$0.6 million, higher impairment of trade receivables and fair value loss from forward contract of S\$0.1 million each. Similarly, travelling expenses increased by S\$0.2 million as compared to H2 2021. Higher depreciation of property, plant and equipment of S\$0.1 million was also recorded as depreciation relating to the warehouse in Malaysia commenced. Correspondingly, depreciation for right-of-use assets for warehouse decreased by S\$0.1 million.



## REVIEW OF PERFORMANCE (cont'd)

### Profitability Review (cont'd)

#### (d) Operating expenses (cont'd)

##### FY 2022 vs FY 2021

Year-on-year, total operating expenses for FY 2022 increased marginally by S\$0.4 million or 1.5%.

FY 2022 recorded higher net foreign exchange loss and fair value loss from forward contract totalled S\$0.8 million. In line with higher inventory purchases and inventory holding, warehouse storage charges increased by S\$0.3 million. Higher traveling expenses of S\$0.2 million incurred were because of more travelling and higher depreciation of property, plant and equipment of S\$0.2 million was due to depreciation relating to the warehouse in Malaysia.

These increase in expenses were partly offset by lower employee remuneration of S\$1.3 million.

#### (e) Finance costs

Finance costs comprised the following:-

	H2 2022		H1 2022		H2 2021		Variance Fav/(Unfav) H2 2022 vs H2 2021	
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Bills payables	535	222	(313)	(140.3)	164	(371)	(227.6)	
Bank loans	221	154	(67)	(43.5)	156	(65)	(41.9)	
Bank overdraft	60	46	(14)	(30.7)	40	(20)	(49.0)	
Leases for right-of-use assets	69	70	1	1.8	73	4	6.4	
Total finance costs	885	492	(393)	(79.7)	433	(452)	(104.5)	

	FY 2022		FY 2021		Variance Fav/(Unfav) FY 2022 vs FY 2021	
	S\$'000	S\$'000	S\$'000	%	S\$'000	%
Bills payables	758	359	(399)	(111.3)		
Bank loans	375	238	(137)	(57.6)		
Bank overdraft	106	60	(46)	(77.0)		
Leases for right-of-use assets	138	147	9	6.2		
Total finance costs	1,377	804	(573)	(71.3)		

##### H2 2022 vs H1 2022

##### H2 2022 vs H2 2021

Finance costs for H2 2022 increased by S\$393,000 or 79.7% and S\$452,000 or 104.5% over H1 2022 and H2 2021 respectively mainly due to higher interest rates and higher trade borrowings to finance purchases.

##### FY 2022 vs FY 2021

For the same reasons noted above, finance costs increased by S\$573,000 or 71.3% over FY 2021.

## REVIEW OF PERFORMANCE (cont'd)

### Profitability Review (cont'd)

#### (f) Share of profit of associated companies

H2 2022 vs H1 2022

H2 2022 vs H2 2021

Our share of profit of associated companies decreased by S\$0.3 million or 45.4% as compared to H1 2022.

Vis-à-vis H2 2021, our share of profit of associated companies decreased by S\$0.4 million or 49.8%.

FY 2022 vs FY 2021

Our share of profit of associated companies for FY 2022 decreased by S\$0.5 million or 30.7%. The decrease was partly due to slowing of demand and partly due to integration costs relating to subsidiary acquired.

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

H2 2022 vs H1 2022

Profit before tax and EBITDA decreased by S\$3.3 million or 59.1% and S\$2.8 million or 42.3% respectively.

In line with lower profit before tax, income tax expense decreased by S\$0.4 million. As a result, net profit after tax decreased by S\$2.9 million or 63.9% over H1 2022.

H2 2022 vs H2 2021

Net profit before tax and EBITDA decreased by S\$2.3 million or 50.8% and S\$1.7 million or 31.2% respectively.

On the other hand, income tax expense increased by S\$0.3 million mainly due to adjustments for prior years. As a result, net profit after tax decreased by S\$2.6 million or 61.8% as compared to H2 2021.

FY 2022 vs FY 2021

Despite marginal increase in sales, profit before tax and EBITDA decreased by S\$1.4 million or 14.8% and S\$0.5 million or 5.0% to S\$7.8 million and S\$10.6 million respectively.

On the other hand, income tax expense increased by S\$0.6 million due to adjustments for prior years and higher withholding taxes. As a result, net profit after tax decreased by S\$1.9 million or 24.1% year-on-year.

Excluding grant income, profit before tax would have decreased by S\$1.1 million or 12.3% and net profit after tax would be S\$1.7 million or 21.7% lower.

## 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\$1.3 million and S\$2.0 million in H2 2022 and FY 2022 respectively were largely due to the depreciation of Malaysian Ringgit, Sterling Pound and Thai Baht against Singapore Dollar.

#### H2 2022 vs H1 2022

#### H2 2022 vs H2 2021

As translation losses in H2 2022 of S\$1.3 million were S\$0.7 million higher than translation losses in H1 2022, comprehensive income for H2 2022 decreased by S\$3.5 million or 92.8% to S\$0.3 million as compared to H1 2022.

Similarly, translation losses for H2 2022 were S\$1.2 million higher than translation losses in H2 2021. Comprehensive income for H2 2022 decreased by S\$3.8 million or 93.2% as compared to H2 2021.

#### FY 2022 vs FY 2021

Year-on-year, comprehensive income decreased by S\$3.4 million or 45.4% as translation losses in FY 2022 were higher by S\$1.5 million.

### Financial Position Review

Financial Position Highlights	As at		Variance 31 December 2022 vs 31 December 2021 Fav/(Unfav)
	31 December 2022	31 December 2021	
Cash (S\$'mil)	11.9	11.5	0.4
Borrowings (S\$'mil)	36.3	28.9	(7.4)
Current ratio (times)	1.8	1.8	-
Gearing ratio (times)	0.62	0.51	(0.11)
Net gearing ratio (times)	0.42	0.30	(0.12)
Net assets per share attributable to equity holders of the Company (cents)	43.96	42.95	1.01
Inventory turnover (days)	158	120	(38)
Trade receivables turnover (days)	75	73	(2)
Trade payable turnover (days)	23	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\$0.2 million from S\$15.2 million as at 31 December 2021 to S\$15.4 million as at 31 December 2022. The increase was due to additional capital expenditure of S\$1.7 million (mainly in plant and machinery, office fixture and equipment for the warehouse as well as solar panels) and offset by depreciation charge of S\$0.9 million and translation loss of S\$0.6 million for the current year.

#### (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 31 December 2022 mainly due to new lease assets recognised of S\$0.2 million offset by depreciation charge of S\$0.4 million in the current year.

#### (k) Investment in associated companies

The decrease in carrying value of our associated companies by S\$0.1 million was mainly due to positive contribution from operation in the current year of S\$1.1 million offset by dividend return of S\$0.9 million and translation loss of S\$0.3 million.

#### (l) Trade and other receivables

Net trade receivables decreased by S\$3.6 million or 11.6% from S\$30.6 million as at 31 December 2021 to S\$27.0 million as at 31 December 2022. The decrease was because of lower sales in H2 2022 as compared to H2 2021. Turnover days increased by 2 days from 73 days for FY 2021 to 75 days for FY 2022.

#### (m) Inventories

Inventories increased by S\$12.9 million or 35.3% from S\$36.5 million as at 31 December 2021 to S\$49.3 million as at 31 December 2022. The increase in inventory was mainly due to higher chemical prices and higher level of purchases during the year to ensure continuity of supply to customers. Inventory turnover days increased by 38 days from 120 days for FY 2021 to 158 days for FY 2022 as sales decreased in H2 2022.

#### (n) Other current assets

Other current assets decreased by S\$2.6 million or 58.4% to S\$1.9 million as at 31 December 2022 primarily due to lower advance payments to suppliers of S\$2.6 million in tandem with lower purchases in H2 2022.

#### (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\$531,000 mainly due to disposal of quoted equity shares.

Financial liabilities at fair value through profit or loss increased by S\$73,000 to S\$108,000 as at 31 December 2022 as compared to 31 December 2021.

## REVIEW OF PERFORMANCE (cont'd)

### Financial Position Review (cont'd)

#### (p) Trade and other payables

Total trade payables decreased by S\$1.5 million or 17.8% from S\$8.3 million as at 31 December 2021 to S\$6.8 million as at 31 December 2022 as purchases were lower H2 2022. Turnover days shorten to 23 days in FY 2022 as compared to 24 days in FY 2021.

Other payables in aggregate consisting of accrued operating expenses, advance payments from customer and sundry payables decreased by S\$1.2 million from S\$9.7 million as at 31 December 2021 to S\$8.5 million as at 31 December 2022. The decrease was mainly due to lower accrual of operating expenses of S\$0.4 million, lower sundry creditors of S\$0.6 million and lower advance payment received from customer of S\$0.1 million.

#### (q) Financial liabilities - lease liabilities

The carrying value of lease liabilities decreased from S\$2.9 million as at 31 December 2021 to S\$2.7 million as at 31 December 2022. Additional lease liabilities recognised of S\$0.2 million and accretion of interest of S\$138,000 were offset by repayment of lease liabilities of S\$0.5 million in FY 2022.

#### (r) Borrowings

Total borrowings increased by S\$7.4 million or 25.6% from \$28.9 million as at 31 December 2021 to S\$36.4 million as at 31 December 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 ratio and net gearing ratio increased from 0.51 times and 0.30 times as at 31 December 2021 to 0.62 times and 0.42 times as at 31 December 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 43.96 cents as at 31 December 2022 primarily due to comprehensive income recorded for equity holders of S\$4.0 million less dividend payment of S\$2.7 million in FY 2022.

### Cashflow Review

Negative cash flow from operating activities of S\$3.0 million was generated in FY 2022 despite recording net profit after tax of S\$6.1 million in FY 2022. This was due to higher working capital requirements (ie mainly higher purchases of inventory) corresponding to an increase in business activities. The higher working capital requirements were mostly financed through borrowings.

Other major cash outflows under investing and financing activities in FY 2022 were payments for property, plant and equipment of S\$1.7 million (relating to plant and machinery, office fixture and equipment for the warehouse and solar panels), payments of dividends of S\$2.7 million, payments of bank interest of S\$1.1 million, dividend received from associated company of S\$0.9 million and proceeds from disposal of quoted equity shares of S\$0.7 million.

As such, overall cash and cash equivalents decreased by S\$0.2 million from S\$11.1 million as at 31 December 2021 to S\$10.9 million as at 31 December 2022.



## **RISK**

We believe the imminent risks to our financial performance for the financial year ending 31 December 2023 ("FY 2023") 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. Inflationary pressure has also led to increase in our overall business cost.

### **Supply Chain Risk**

Following the Russia-Ukraine and resurgence of COVID-19 in China, supply disruption challenges remain a risk in 2023.

### **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 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. Interest rates are likely to remain elevated in 2023 following surging inflation and aggressive interest rates hike by central banks 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.

## **PROSPECTS**

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

### **Economy**

Fears of recession have been surfacing lately on the back of concerns that tighter monetary policies and higher interest rates to tame inflation may push the global economy into a recession. IMF's view in its January 2023 report is that the global economy is likely to be slower this year.

A recovery in global economic growth will depend on whether the easing of COVID-19 restrictions in China recently can provide support to the global economy and enable it to avert the risk of a recession.

### **Chemical Industry**

Supply chain challenges which the chemistry industry encountered during the COVID-19 pandemic receded in the second half of 2022 but may resurface again after China's easing of COVID-19 measures led to a resurgence of COVID-19 in China.

Demand for chemicals escalated in the first half of 2022 but showed signs of slowdown towards the end of 2022 as companies started to destock their inventory. Weakness in industrial production may also persist into 2023, posing challenges for the industry.

If overly aggressive increases in interest rates tip the economy into a recession in 2023, the chemical industry will be inevitably impacted.

### **Megachem**

As chemical products are used in a wide spectrum of industries, our business prospects are inextricably linked to economic activities.

Based on current business climate, the economic outlook is uncertain. Inflation is likely to remain elevated which will put pressure on our business cost. Customers' destocking strategy may also continue into 2023. These external factors may impede our business growth in 2023.

Even though headwinds to growth are emerging, Megachem's long term growth strategy of building a diversified and resilient business model remains sound and robust. Our strong customer and supplier relationship as well as our extensive network in Asia provide us a solid foundation to capitalise on opportunities when business conditions improve.



## DIVIDEND

### (a) Current financial year reported on

Any final dividend declared for the financial year ended? Yes

The directors are pleased to recommend a final tax-exempt dividend of 1.2 cents per share in respect of the financial year ended 31 December 2022 for approval by the shareholders at the next Annual General Meeting to be convened.

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

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

Any dividend declared for the immediately preceding financial year ended 31 December 2021? 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

The final tax-exempt dividend of 1.2 cents per share in respect of the financial year ended 31 December 2022, subject to approval by the shareholders at the next Annual General Meeting to be convened, will be paid on 28 June 2023.

### (d) Record date

The Share Transfer Books and Register of Members of the Company will be closed on 13 June 2023 for the purpose of determining member's entitlements to the proposed final tax-exempt dividend.

Duly completed and stamped transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd), 80 Robinson Road, #02-00 Singapore 068898, up to 5.00pm on 12 June 2023 (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 final tax-exempt dividend of 1.2 cents per share will be made on 28 June 2023.





## Breakdown of sales

	Full year ended 31 December 2022 S\$'000	Full year ended 31 December 2021 S\$'000	Variance Increase S\$'000	%
<u>Sales</u>				
(a) Sales for the first half ("H1")	75,174	65,909	9,265	14.1%
(b) Sales for the second half ("H2")	68,547	72,993	(4,446)	(6.1%)
<i>(Decrease)/increase H2 from H1</i>	<i>(6,627)</i>	<i>7,084</i>		
<i>(Decrease)/increase H2 from H1 (%)</i>	<i>(8.8%)</i>	<i>10.7%</i>		
<u>Operating profit after tax</u>				
(c) Operating profit after tax and before attributing to non-controlling interests for H1	4,458	3,779	679	18.0%
(d) Operating profit after tax and before attributing to non-controlling interests for H2	1,609	4,211	(2,602)	(61.8%)
<i>(Decrease)/increase H2 from H1</i>	<i>(2,849)</i>	<i>432</i>		
<i>(Decrease)/increase H2 from H1 (%)</i>	<i>(63.9%)</i>	<i>11.4%</i>		

## 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	55	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 2022, they do not have any relatives who are holding a managerial position in the Company or any of its principal subsidiaries: -

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

## 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 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 2022.

On behalf of the Board of Directors

Chew Choon Tee  
Managing Director

21 February 2023