



MEGACHEM LIMITED

**Condensed Interim Financial
Statements**

**For The Half Year Ended
30 June 2024**

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

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**CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE HALF YEAR ENDED 30 JUNE 2024**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED
30 JUNE 2024**

	Note	Unaudited For the half year ended 30 June 2024 S\$	Unaudited For the half year ended 30 June 2023 S\$	Variance Favourable/(Unfavourable)	
				S\$	%
Revenue	3	65,175,452	60,685,018	4,490,434	7.4%
Cost of sales		<u>(49,672,630)</u>	<u>(47,314,070)</u>	(2,358,560)	(5.0%)
Gross profit		15,502,822	13,370,948	2,131,874	15.9%
Other income	4	5,394,617	431,122	4,963,495	> 100.0%
Distribution costs		(12,879,885)	(7,904,302)	(4,975,583)	(62.9%)
Administrative expenses		(3,156,426)	(2,927,186)	(229,240)	(7.8%)
Other operating expenses		(1,668,427)	(1,339,834)	(328,593)	(24.5%)
Finance costs	5	(999,133)	(996,269)	(2,864)	(0.3%)
Share of profit of associated companies		727,567	616,323	111,244	18.0%
Profit before income tax	6	<u>2,921,135</u>	<u>1,250,802</u>	1,670,333	> 100.0%
Income tax expense	7	<u>(937,799)</u>	<u>(320,902)</u>	(616,897)	> (100.0%)
Net profit		<u>1,983,336</u>	<u>929,900</u>	1,053,436	> 100.0%
Other comprehensive income:					
Exchange differences on translating foreign operations, net of tax		<u>(213,916)</u>	<u>(679,592)</u>	465,676	68.5%
Total comprehensive income		<u>1,769,420</u>	<u>250,308</u>	1,519,112	> 100.0%
Net profit/(loss) attributable to:					
Equity holders of the Company		1,999,749	811,363	1,188,386	> 100.0%
Non-controlling interests		<u>(16,413)</u>	<u>118,537</u>	(134,950)	> (100.0%)
Net profit		<u>1,983,336</u>	<u>929,900</u>	1,053,436	> 100.0%
Total comprehensive income attributable to:					
Equity holders of the Company		1,727,039	102,241	1,624,798	> 100.0%
Non-controlling interests		<u>42,381</u>	<u>148,067</u>	(105,686)	(71.4%)
Total comprehensive income		<u>1,769,420</u>	<u>250,308</u>	1,519,112	> 100.0%
Earnings per share of profit attributable to equity holders of the Company					
- basic and diluted	9	<u>1.50 cents</u>	<u>0.61 cents</u>	0.89 cents	> 100.0%



STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Note	Group		Company	
		Unaudited 30 June 2024 S\$	Audited 31 December 2023 S\$	Unaudited 30 June 2024 S\$	Audited 31 December 2023 S\$
ASSETS					
Non-current assets					
Property, plant and equipment	11	14,808,081	14,631,444	1,611,314	1,157,002
Right-of-use assets	12	2,278,109	2,348,784	990,882	1,007,676
Investment property	13	54,269	55,569	-	-
Investments in subsidiaries		-	-	6,867,319	5,723,472
Investments in associated companies		8,363,586	8,385,733	2,798,756	2,798,756
Financial assets at fair value through other comprehensive income	17	1,351,100	1,351,100	1,351,100	1,351,100
Transferable club memberships		24,113	24,093	4,001	4,001
Other receivables		-	-	91,667	229,084
Deferred tax assets		472,741	804,755	-	350,000
		<u>27,351,999</u>	<u>27,601,478</u>	<u>13,715,039</u>	<u>12,621,091</u>
Current assets					
Inventories	14	31,416,540	33,561,171	15,446,098	15,473,216
Trade and other receivables	15	24,116,553	23,701,518	17,938,828	19,320,822
Financial assets at fair value through profit or loss	16	6,862	-	-	-
Other current assets		4,294,464	1,749,398	902,197	363,316
Cash and bank balances		13,332,000	13,629,981	1,501,274	3,357,298
		<u>73,166,419</u>	<u>72,642,068</u>	<u>35,788,397</u>	<u>38,514,652</u>
Total assets		<u>100,518,418</u>	<u>100,243,546</u>	<u>49,503,436</u>	<u>51,135,743</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		(7,990,353)	(7,717,643)	-	-
Retained earnings		43,726,579	41,787,913	1,241,554	298,539
		<u>51,628,254</u>	<u>49,962,298</u>	<u>17,133,582</u>	<u>16,190,567</u>
Non-controlling interests		2,906,938	3,196,889	-	-
Total equity		<u>54,535,192</u>	<u>53,159,187</u>	<u>17,133,582</u>	<u>16,190,567</u>
Non-current liabilities					
Borrowings	19	166,667	416,667	166,667	416,667
Financial liabilities - lease liabilities		2,761,051	2,647,092	1,546,813	1,391,705
Deferred tax liabilities		71,132	418,851	-	350,000
		<u>2,998,850</u>	<u>3,482,610</u>	<u>1,713,480</u>	<u>2,158,372</u>
Current liabilities					
Current income tax liabilities		861,076	62,058	606,000	-
Trade and other payables	20	14,324,274	15,165,802	9,410,744	9,539,815
Borrowings	19	27,460,178	28,071,924	20,500,037	23,153,347
Financial liabilities - lease liabilities		328,163	251,101	139,593	93,642
Financial liabilities at fair value through profit or loss	21	10,685	50,864	-	-
		<u>42,984,376</u>	<u>43,601,749</u>	<u>30,656,374</u>	<u>32,786,804</u>
Total liabilities		<u>45,983,226</u>	<u>47,084,359</u>	<u>32,369,854</u>	<u>34,945,176</u>
Total equity and liabilities		<u>100,518,418</u>	<u>100,243,546</u>	<u>49,503,436</u>	<u>51,135,743</u>

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2024

	Note	Attributable to equity holders of the Company					Non-controlling interests S\$
		Total equity S\$	Parent Sub-total S\$	Share capital S\$	Other reserves S\$	Retained earnings S\$	
<u>The Group</u>							
Current year :							
Opening balance at 1 January 2024		53,159,187	49,962,298	15,892,028	(7,717,643)	41,787,913	3,196,889
Total comprehensive income for the reporting period		1,769,420	1,727,039	-	(272,710)	1,999,749	42,381
Acquisition of equity shares from non-controlling interests		(393,415)	(61,083)	-	-	(61,083)	(332,332)
Closing balance at 30 June 2024		<u>54,535,192</u>	<u>51,628,254</u>	<u>15,892,028</u>	<u>(7,990,353)</u>	<u>43,726,579</u>	<u>2,906,938</u>
Previous 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 income for the reporting period		250,308	102,241	-	(709,122)	811,363	148,067
Final dividend relating to 2022 paid	8	(1,599,600)	(1,599,600)	-	-	(1,599,600)	-
Final dividends paid to non-controlling interests		(30,337)	-	-	-	-	(30,337)
Closing balance at 30 June 2023		<u>60,360,778</u>	<u>57,096,693</u>	<u>15,892,028</u>	<u>(7,302,315)</u>	<u>48,506,980</u>	<u>3,264,085</u>
<u>The Company</u>							
Current year :							
Opening balance at 1 January 2024		16,190,567	15,892,028	298,539			
Total comprehensive income for the reporting period		943,015	-	943,015			
Closing balance at 30 June 2024		<u>17,133,582</u>	<u>15,892,028</u>	<u>1,241,554</u>			
Previous year :							
Opening balance at 1 January 2023		23,699,672	15,892,028	7,807,644			
Total comprehensive income for the reporting period		257,077	-	257,077			
Final dividend relating to 2022 paid	8	(1,599,600)	-	(1,599,600)			
Closing balance at 30 June 2023		<u>22,357,149</u>	<u>15,892,028</u>	<u>6,465,121</u>			



CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE HALF YEAR ENDED 30 JUNE 2024

	Unaudited For the half year ended 30 June 2024 S\$	Unaudited For the half year ended 30 June 2023 S\$
Cash flows from operating activities		
Net profit before tax	2,921,135	1,250,802
Adjustments for:		
Depreciation of property, plant and equipment and investment property	459,249	551,768
Depreciation of right-of-use assets	175,730	201,874
Finance costs	999,133	996,269
Gain on disposal of property, plant and equipment	(26,400)	(7,289)
Interest income from banks	(46,775)	(42,258)
Share of profit of associated companies	(727,567)	(616,323)
Changes in fair value of financial assets at fair value through profit or loss	(6,806)	-
Changes in fair value of financial liabilities at fair value through profit or loss	10,598	46,915
Operating cash flows before working capital changes	<u>3,758,297</u>	<u>2,381,758</u>
Change in operating assets and liabilities :		
Trade and other receivables	(217,402)	3,899,013
Other current assets	(2,549,783)	(385,902)
Inventories	2,397,561	8,317,005
Trade and other payables	(953,091)	(3,653,490)
Foreign exchange adjustment differences	<u>(306,604)</u>	<u>(100,337)</u>
Cash from operations	2,128,978	10,458,047
Income tax paid	(104,541)	(617,769)
Interest received	<u>46,775</u>	<u>42,258</u>
Net cash from operating activities	<u>2,071,212</u>	<u>9,882,536</u>
Cash flows used in investing activities		
Dividends received from associated company	374,648	451,171
Purchase of equity shares from non-controlling interest	(393,415)	-
Purchase of property, plant and equipment	(374,029)	(767,876)
Proceeds from sale of property, plant and equipment	<u>30,389</u>	<u>8,159</u>
Net cash used in investing activities	<u>(362,407)</u>	<u>(308,546)</u>
Cash flows used in financing activities		
Dividends paid	-	(1,599,600)
Dividends paid by subsidiary to non-controlling interests	-	(30,337)
Repayments of long term bank loans	(250,000)	(250,000)
(Repayments of)/proceeds from bills payables	2,954,146	(6,756,771)
(Repayments of)/proceeds from short term bank loans	(3,617,485)	1,043,753
Lease liabilities paid	(238,994)	(226,056)
Interest paid	<u>(918,956)</u>	<u>(997,961)</u>
Net cash used in financing activities	<u>(2,071,289)</u>	<u>(8,816,972)</u>
Net (decrease)/increase in cash and cash equivalents	(362,484)	757,018
Cash and cash equivalents, statement of cash flow, beginning balance	13,024,005	10,949,160
Effects of exchange rate changes on cash and cash equivalents	74,588	33,619
Cash and cash equivalents, statement of cash flow, ending balance	<u>12,736,109</u>	<u>11,739,797</u>
Cash and cash equivalents comprised the followings:		
Cash and bank balances	13,332,000	12,394,856
Less: bank overdraft	<u>(595,891)</u>	<u>(655,059)</u>
	<u>12,736,109</u>	<u>11,739,797</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 ended 30 June 2024 financial statements are presented in Singapore dollars and they cover the Company (referred to as “Parent”) and its subsidiaries and associated companies (collectively, the “Group”).

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

1.2 Statement of compliance with financial reporting standards

The condensed interim financial statements for the half year ended 30 June 2024 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 2023.

Except as disclosed in Note 1.5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the audited financial statements for the financial year ended 31 December 2023.

1.3 Accounting convention

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

1.4 Basis of preparation of the condensed interim financial statements

The preparation of the condensed interim financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 30 June 2024 and the reported amounts of revenues and expenses for the half year ended 30 June 2024. 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 and adoption of financial reporting standards

On 1 January 2024, 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
- (v) Fair value of investment at fair value through other comprehensive income

2.2 Fair value measurement

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

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

3. Revenue

	Group unaudited half year ended 30 June	
	<u>2024</u> S\$	<u>2023</u> S\$
Sale of goods	63,491,906	58,726,065
Rendering of services	1,683,546	1,958,953
Total sales	<u>65,175,452</u>	<u>60,685,018</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 unaudited half year ended 30 June		Rendering of services unaudited half year ended 30 June	
	<u>2024</u> S\$	<u>2023</u> S\$	<u>2024</u> S\$	<u>2023</u> S\$
Group				
Primary geographical markets				
Singapore	25,176,491	27,436,167	1,683,546	1,958,953
Rest of geographical areas	38,315,415	31,289,898	-	-
Total sales	<u>63,491,906</u>	<u>58,726,065</u>	<u>1,683,546</u>	<u>1,958,953</u>

(ii) Seasonality of operations

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

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

	Group unaudited half year ended	
	<u>30 June</u>	
	<u>2024</u>	<u>2023</u>
	S\$	S\$
Trade receivables recovered	63,732	230,445
Changes in fair value of financial assets at fair value through profit or loss – forward foreign exchange contract	6,806	–
Gain on disposal of property, plant and equipment	26,400	7,289
Government grant	2,447	43,036
Interest income – banks	46,775	42,258
Insurance claims	5,241,276	–
Net foreign exchange gain	–	100,513
Rental income	7,181	7,581
Total other income	<u>5,394,617</u>	<u>431,122</u>

5. Finance costs

	Group unaudited half year ended	
	<u>30 June</u>	
	<u>2024</u>	<u>2023</u>
	S\$	S\$
Interest expense		
- Bills payable to banks	513,930	472,880
- Bank loans	389,620	397,385
- Bank overdraft	17,080	53,669
- Hire purchase	10,772	3,745
- Lease for right-of-use assets	67,731	68,590
Total finance costs	<u>999,133</u>	<u>996,269</u>

6. Profit before income tax

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

	Group unaudited half year ended	
	<u>30 June</u>	
	<u>2024</u>	<u>2023</u>
	S\$	S\$
Cost of inventories	47,153,968	43,821,749
Changes in fair value of financial liabilities at fair value through profit or loss	10,598	46,915
Demolition and decontamination costs	1,030,772	–
Depreciation of investment property	1,345	1,421
Depreciation of property, plant and equipment	457,904	550,347
Depreciation of right-of-use assets	175,730	201,874
Employee compensation	8,895,798	8,025,413
Impairment of doubtful trade receivables	54,395	12,614
Inventories written down	895,428	1,836,195
Net foreign exchange translation losses	148,662	–
Waste disposal charges (fire-related)	2,760,000	–
Warehouse storage charges	<u>1,666,341</u>	<u>1,320,680</u>



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

7. Income tax expense

	Group unaudited half year ended 30 June	
	2024 S\$	2023 S\$
Current period:		
Current tax expense	955,808	441,821
Deferred tax expense/(benefit)	17,231	(168,259)
Sub-total	<u>973,039</u>	<u>273,562</u>
Prior periods:		
(Over)/under adjustments for current tax expense	(2,304)	34,279
(Over)/under adjustments for deferred tax expense	(32,936)	13,061
Sub-total	<u>(35,240)</u>	<u>47,340</u>
Total income tax expense	<u>937,799</u>	<u>320,902</u>

8. Dividends

	Group and Company unaudited half year ended 30 June	
	2024 S\$	2023 S\$
Final tax exempt dividend paid of Nil cents per share (30 June 2023: 1.2 cents per share) in respect of previous year end	<u>—</u>	<u>1,599,600</u>

9. Earnings per ordinary share (in cents)

	Group unaudited half year ended 30 June	
	2024	2023
a) Based on weighted average number of ordinary shares on issue	1.50	0.61
b) On a fully diluted basis	1.50	0.61
Weighted average number of ordinary shares in issue for earnings per share	<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 30 June 2024	Audited 31 December 2023	Unaudited 30 June 2024	Audited 31 December 2023
Net asset value per ordinary share based on issued share capital (cents)	38.73	37.48	12.85	12.15
No of ordinary shares used in calculation	133,300,000	133,300,000	133,300,000	133,300,000

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)
11. Property, plant and equipment

During the half year ended 30 June 2024, the Group acquired property, plant and equipment with an aggregate cost of S\$621,246 (half year ended 30 June 2023: S\$986,876) which include plant and equipment acquired under hire purchase arrangement of S\$247,217 (half year ended 30 June 2023: S\$219,000).

Capital commitments of the Group as at 30 June 2024 amounted to S\$17,075,626 (31 December 2023: S\$1,404,282).

12. Right-of-use assets

During the half year ended 30 June 2024, the Group acquired right-of-use assets with an aggregate cost of S\$100,810 (half year ended 30 June 2023: S\$Nil).

13. Investment property

	Group	
	Unaudited 30 June <u>2024</u> S\$	Audited 31 December <u>2023</u> S\$
<u>At cost:</u>		
Balance at beginning of reporting period	120,774	127,838
Currency translation differences	122	(7,064)
Balance at end of reporting period	<u>120,896</u>	<u>120,774</u>
<u>Accumulated depreciation:</u>		
Balance at beginning of reporting period	65,205	66,150
Depreciation charge	1,345	2,788
Currency translation differences	77	(3,733)
Balance at end of reporting period	<u>66,627</u>	<u>65,205</u>
<u>Net book value:</u>		
Balance at beginning of reporting period	<u>55,569</u>	<u>61,688</u>
Balance at end of reporting period	<u>54,269</u>	<u>55,569</u>
<u>Fair value:</u>		
Fair value at end of reporting period	<u>293,179</u>	<u>293,179</u>

The fair value 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.

14. Inventories

	Group		Company	
	Unaudited 30 June <u>2024</u> S\$	Audited 31 December <u>2023</u> S\$	Unaudited 30 June <u>2024</u> S\$	Audited 31 December <u>2023</u> S\$
Finished/trading goods	<u>31,416,540</u>	<u>33,561,171</u>	<u>15,446,098</u>	<u>15,473,216</u>

Inventories are stated after allowance. The allowance as at 30 June 2024 amounted to S\$6,970,308 (31 December 2023: S\$6,103,650) and S\$2,270,000 (31 December 2023: S\$2,405,000) for the Group and the Company respectively.



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

15. Trade and other receivables

	Group		Company	
	Unaudited 30 June 2024 S\$	Audited 31 December 2023 S\$	Unaudited 30 June 2024 S\$	Audited 31 December 2023 S\$
<i>Current :</i>				
<u>Trade receivables:</u>				
Non-related parties	23,538,356	23,357,899	8,048,586	8,242,572
Subsidiaries	–	–	7,393,479	7,548,451
Associated company	50,202	35,672	21,647	29,483
Less: allowance for impairment – non-related parties	(453,684)	(415,663)	(50,356)	(50,356)
Less: allowance for impairment – subsidiaries	–	–	(1,822,000)	(1,582,000)
Net trade receivables – subtotal	<u>23,134,874</u>	<u>22,977,908</u>	<u>13,591,356</u>	<u>14,188,150</u>
<u>Other receivables:</u>				
Short term loans to subsidiaries	–	–	3,170,736	3,322,456
Loan term loans to subsidiaries	–	–	275,000	391,002
Subsidiaries	–	–	2,450,169	2,386,251
Advance payments to subsidiary	–	–	168,208	370,056
Non-related parties	981,679	723,610	1,359	3,907
Less: allowance for impairment - subsidiaries	–	–	(1,718,000)	(1,341,000)
Net other receivables – subtotal	<u>981,679</u>	<u>723,610</u>	<u>4,347,472</u>	<u>5,132,672</u>
Total net trade and other receivables - current	<u>24,116,553</u>	<u>23,701,518</u>	<u>17,938,828</u>	<u>19,320,822</u>
<i>Non-current:</i>				
<u>Other receivables:</u>				
Long term loans to subsidiaries	–	–	91,667	846,084
Less: allowance for impairment	–	–	–	(617,000)
Total other receivables – non-current	–	–	91,667	229,084
Total trade and other receivables	<u>24,116,553</u>	<u>23,701,518</u>	<u>18,030,495</u>	<u>19,549,906</u>

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 (“FVTPL”)

	Group		Company	
	Unaudited 30 June 2024 S\$	Audited 31 December 2023 S\$	Unaudited 30 June 2024 S\$	Audited 31 December 2023 S\$
At fair value:				
Forward foreign exchange contracts (Level 2)	6,862	–	–	–
Total financial assets at FVTPL	<u>6,862</u>	<u>–</u>	<u>–</u>	<u>–</u>



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

17. Financial assets at fair value through other comprehensive income ("FVTOCI")

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30 June 2024 S\$	31 December 2023 S\$	30 June 2024 S\$	31 December 2023 S\$
At fair value:				
Investment in unquoted equity shares (Level 3)	1,351,100	1,351,100	1,351,100	1,351,100
Total financial assets at FVTOCI	<u>1,351,100</u>	<u>1,351,100</u>	<u>1,351,100</u>	<u>1,351,100</u>

18. Share capital

	Group and Company	
	No of shares issued	Share capital \$
Ordinary shares of no par value:		
Balance at 1 January 2024 and 30 June 2024	<u>133,300,000</u>	<u>15,892,028</u>

There have been no changes in the Company's issued share capital since the end of the previous financial year reported on being 31 December 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 30 June 2024 and 30 June 2023.

There were no outstanding convertibles and subsidiary holdings as at the end of the reporting periods ended 30 June 2024 and 30 June 2023.

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

19. Borrowings

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30 June 2024 S\$	31 December 2023 S\$	30 June 2024 S\$	31 December 2023 S\$
<i>Current :</i>				
Bank overdraft (unsecured)	595,891	605,976	–	–
Bill payables (unsecured)	13,606,146	12,393,383	10,860,772	9,896,597
Short term bank loans (unsecured)	10,039,265	13,656,750	9,139,265	12,756,750
Long term bank loans (unsecured)	500,000	500,000	500,000	500,000
Unsecured sub-total	<u>24,741,302</u>	<u>27,156,109</u>	<u>20,500,037</u>	<u>23,153,347</u>
Bill payables (secured)	2,718,876	915,815	–	–
Secured sub-total	<u>2,718,876</u>	<u>915,815</u>	<u>–</u>	<u>–</u>
Current, total	<u>27,460,178</u>	<u>28,071,924</u>	<u>20,500,037</u>	<u>23,153,347</u>
<i>Non-current:</i>				
Long term bank loans (unsecured)	166,667	416,667	166,667	416,667
Non-current, total	<u>166,667</u>	<u>416,667</u>	<u>166,667</u>	<u>416,667</u>
Total borrowings	<u>27,626,845</u>	<u>28,488,591</u>	<u>20,666,704</u>	<u>23,570,014</u>

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

The secured bill payables and short term bank loans as at 30 June 2024 and 31 December 2023 are collateralized on fixed and floating charges over all the assets and undertaking of certain subsidiaries, including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future.

The Group and the Company has complied with all bank covenants for the half year ended 30 June 2024.

20. Trade and other payables

	Group		Company	
	Unaudited 30 June <u>2024</u> S\$	Audited 31 December <u>2023</u> S\$	Unaudited 30 June <u>2024</u> S\$	Audited 31 December <u>2023</u> S\$
<u>Trade payables:</u>				
Non-related parties	6,960,039	7,070,787	3,147,451	2,764,395
Associated company	16,041	3,353	–	3,353
Subsidiaries	–	–	535,440	715,087
Trade payables – subtotal	<u>6,976,080</u>	<u>7,074,140</u>	<u>3,682,891</u>	<u>3,482,835</u>
<u>Other payables:</u>				
Associated company	17,305	7,908	14,433	5,119
Subsidiaries	–	–	84,006	390,584
Loan from subsidiary	–	–	1,385,862	1,419,108
Advance payments from customers	251,790	73,535	33,967	17,676
Advance payments from subsidiary	–	–	400,716	487,085
Accrued liabilities	4,620,713	6,165,744	2,201,778	2,803,572
Deferred income from subsidiaries	–	–	340,192	–
Other payables	<u>2,458,386</u>	<u>1,844,475</u>	<u>1,266,899</u>	<u>933,836</u>
Other payables – subtotal	<u>7,348,194</u>	<u>8,091,662</u>	<u>5,727,853</u>	<u>6,056,980</u>
Total trade and other payables	<u>14,324,274</u>	<u>15,165,802</u>	<u>9,410,744</u>	<u>9,539,815</u>

21. Financial liabilities at fair value through profit and loss (“FVTPL”)

	Group		Company	
	Unaudited 30 June <u>2024</u> S\$	Audited 31 December <u>2023</u> S\$	Unaudited 30 June <u>2024</u> S\$	Audited 31 December <u>2023</u> S\$
At fair value:				
Forward foreign exchange contracts (Level 2)	10,685	50,864	–	–
Total financial liabilities at FVTPL	<u>10,685</u>	<u>50,864</u>	<u>–</u>	<u>–</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 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 valuation method uses market observable inputs.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)
22. Fair value measurements recognised in the statements of financial position (cont'd)

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.

23. Categories of financial assets and liabilities

	Group		Company	
	Unaudited 30 June 2024 S\$'000	Audited 31 December 2023 S\$'000	Unaudited 30 June 2024 S\$'000	Audited 31 December 2023 S\$'000
Financial assets				
Financial assets at amortised cost	37,449	37,331	19,364	22,537
Financial assets at FVTOCI	1,351	1,351	1,351	1,351
Financial assets at FVTPL	7	–	–	–
At end of the reporting period	<u>38,807</u>	<u>38,682</u>	<u>20,715</u>	<u>23,888</u>
Financial liabilities				
Financial liabilities at amortised cost	44,789	46,479	30,989	34,090
Financial liabilities at FVTPL	11	51	–	–
At end of the reporting period	<u>44,800</u>	<u>46,530</u>	<u>30,989</u>	<u>34,090</u>

24. Contingent liabilities

	Company	
	Unaudited 30 June 2024 S\$'000	Audited 31 December 2023 S\$'000
Undertaking to provide continuing financial support to subsidiaries with net liabilities amounted to:		
Megachem Australia Pty Ltd	2,308	2,392
Megachem Specialty Chemicals (I) Private Limited	638	1,080
Corporate guarantee provided to banks on subsidiaries' loans payable	<u>6,960</u>	<u>4,919</u>



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

25. Related party transactions

	Group unaudited half year ended 30 June	
	<u>2024</u> S\$	<u>2023</u> S\$
<u>Associated companies</u>		
Sales of inventories	143,668	99,819
Purchases of inventories	<u>(47,254)</u>	<u>(16,564)</u>
<u>Related parties</u>		
Purchases of inventories(a)	<u>(286,932)</u>	<u>(232,628)</u>

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

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 in the half year ended 30 June 2024.

The Group purchased products from Chori Co., Ltd and its related corporations amounting to S\$286,932 in the half year ended 30 June 2024.

Name of interested person	Aggregate value of all interested person transactions during the reporting period ended 30 June 2024 under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the reporting period ended 30 June 2024 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Sales of products to Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	Nil	Nil
Purchase of products from Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	Nil	S\$235,831

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

	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 period ended 30 June 2024								
Sales								
Total sales by segment	31,402	6,889	10,205	5,682	5,456	13,029	-	72,663
Inter-segment sales	(4,542)	(105)	(702)	(1,751)	(16)	(372)	-	(7,488)
	<u>26,860</u>	<u>6,784</u>	<u>9,503</u>	<u>3,931</u>	<u>5,440</u>	<u>12,657</u>	<u>-</u>	<u>65,175</u>
Segment result								
Interest income - bank	2,292	818	217	168	112	(461)	-	3,146
Finance costs							47	47
Share of profit of associated companies							(999)	(999)
Profit before income tax							<u>727</u>	<u>727</u>
Income tax expense							(225)	2,921
Net profit	<u>2,292</u>	<u>818</u>	<u>217</u>	<u>168</u>	<u>112</u>	<u>(461)</u>	<u>(1,163)</u>	<u>1,983</u>
Other segment items								
Capital expenditure	608	5	-	2	-	6	-	621
Depreciation	313	131	42	36	35	78	-	635
Segment assets								
Associated companies	36,448	16,987	6,712	4,570	7,146	16,353	-	88,216
Deferred tax assets							8,363	8,363
Interest earning cash balances							473	473
Consolidated total assets	<u>36,448</u>	<u>16,987</u>	<u>6,712</u>	<u>4,570</u>	<u>7,146</u>	<u>16,353</u>	<u>3,466</u>	<u>3,466</u>
							<u>12,302</u>	<u>100,518</u>
Segment liabilities								
Borrowings	(10,564)	(1,063)	(1,371)	(1,105)	(811)	(2,510)	-	(17,424)
Current income tax liabilities							(27,627)	(27,627)
Deferred income tax liabilities							(861)	(861)
Consolidated total liabilities	<u>(10,564)</u>	<u>(1,063)</u>	<u>(1,371)</u>	<u>(1,105)</u>	<u>(811)</u>	<u>(2,510)</u>	<u>(71)</u>	<u>(71)</u>
							<u>(28,559)</u>	<u>(45,983)</u>

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

	<u>Singapore</u>	<u>Malaysia</u>	<u>United Kingdom</u>	<u>China</u>	<u>Middle East</u>	<u>Others</u>	<u>Unallocated</u>	<u>Group</u>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
For the reporting period ended 30 June 2023								
Sales								
Total sales by segment	29,395	6,575	10,640	5,146	5,479	11,226	-	68,461
Inter-segment sales	(4,508)	(88)	(1,364)	(1,708)	(1)	(107)	-	(7,776)
	<u>24,887</u>	<u>6,487</u>	<u>9,276</u>	<u>3,438</u>	<u>5,478</u>	<u>11,119</u>	<u>-</u>	<u>60,685</u>
Segment result								
Interest income - bank	649	401	108	271	(33)	193	42	1,589
Finance costs							(996)	(996)
Share of profit of associated companies							616	616
Profit before income tax							(338)	1,251
Income tax expense							(321)	(321)
Net profit	<u>649</u>	<u>401</u>	<u>108</u>	<u>271</u>	<u>(33)</u>	<u>193</u>	<u>(659)</u>	<u>930</u>
Other segment items								
Capital expenditure	594	311	-	7	8	67	-	987
Depreciation	384	150	35	35	70	80	-	754
Segment assets								
Associated companies	41,410	16,536	8,002	4,730	7,746	16,715	7,915	95,139
Deferred tax assets							396	396
Interest earning cash balances							2,020	2,020
Consolidated total assets	<u>41,410</u>	<u>16,536</u>	<u>8,002</u>	<u>4,730</u>	<u>7,746</u>	<u>16,715</u>	<u>10,331</u>	<u>105,470</u>
Segment liabilities								
Borrowings	(7,610)	(708)	(2,677)	(761)	(1,048)	(1,689)	(30,088)	(14,493)
Current income tax liabilities							(468)	(468)
Deferred tax liabilities							(60)	(60)
Consolidated total liabilities	<u>(7,610)</u>	<u>(708)</u>	<u>(2,677)</u>	<u>(761)</u>	<u>(1,048)</u>	<u>(1,689)</u>	<u>(30,616)</u>	<u>(45,109)</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 period ended				
30 June 2024				
Sales				
Total sales by segment	63,404	2,256	-	65,660
Inter-segment sales	(60)	(425)	-	(485)
	<u>63,344</u>	<u>1,831</u>	<u>-</u>	<u>65,175</u>
Segment result				
	2,978	168	-	3,146
Interest income - bank			47	47
Finance costs			(999)	(999)
Share of profit of associated companies			<u>727</u>	<u>727</u>
Profit before income tax			(225)	2,921
Income tax expense			<u>(938)</u>	<u>(938)</u>
Net profit	<u>2,978</u>	<u>168</u>	<u>(1,163)</u>	<u>1,983</u>
Other segment items				
Capital expenditure	601	20	-	621
Depreciation	473	162	-	635
	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets				
	81,834	6,382	-	88,216
Associated companies			8,363	8,363
Deferred tax assets			473	473
Interest earning cash balances			<u>3,466</u>	<u>3,466</u>
Consolidated total assets	<u>81,834</u>	<u>6,382</u>	<u>12,302</u>	<u>100,518</u>
Segment liabilities				
	(15,464)	(1,960)	-	(17,424)
Borrowings			(27,627)	(27,627)
Current income tax liabilities			(861)	(861)
Deferred income tax liabilities			<u>(71)</u>	<u>(71)</u>
Consolidated total liabilities	<u>(15,464)</u>	<u>(1,960)</u>	<u>(28,559)</u>	<u>(45,983)</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 period ended				
30 June 2023				
Sales				
Total sales by segment	58,574	2,480	-	61,054
Inter-segment sales	(32)	(337)	-	(369)
	<u>58,542</u>	<u>2,143</u>	<u>-</u>	<u>60,685</u>
Segment result				
	1,159	430	-	1,589
Interest income - bank			42	42
Finance costs			(996)	(996)
Share of profit of associated companies			<u>616</u>	<u>616</u>
Profit before income tax			(338)	1,251
Income tax expense			<u>(321)</u>	<u>(321)</u>
Net profit	<u>1,159</u>	<u>430</u>	<u>(659)</u>	<u>930</u>
Other segment items				
Capital expenditure	973	14	-	987
Depreciation	595	159	-	754
	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets				
	88,090	7,049	-	95,139
Associated companies			7,915	7,915
Deferred tax assets			396	396
Interest earning cash balances			<u>2,020</u>	<u>2,020</u>
Consolidated total assets	<u>88,090</u>	<u>7,049</u>	<u>10,331</u>	<u>105,470</u>
Segment liabilities				
	(12,574)	(1,919)	-	(14,493)
Borrowings			(30,088)	(30,088)
Current income tax liabilities			(468)	(468)
Deferred income tax liabilities			<u>(60)</u>	<u>(60)</u>
Consolidated total liabilities	<u>(12,574)</u>	<u>(1,919)</u>	<u>(30,616)</u>	<u>(45,109)</u>

OTHER INFORMATION

AUDIT

The statements of financial position as at 30 June 2024 and the related consolidated statement of profit or loss, consolidated statement of comprehensive income, statements of changes in equity and consolidated statement of cash flows for the half year period then ended and the selected explanatory notes (the "Condensed Interim Financial Statements") have not been audited or reviewed by the Company's auditors.

REVIEW OF PERFORMANCE

Key Financial Highlights

The financial impact of the fire incident that occurred on 5 July 2023 on our consolidated statement of comprehensive income for the half year ended 30 June 2024 is estimated as follows:

	<u>H1 2024</u>	<u>H2 2023</u>	<u>To-date</u>
	S\$'000	S\$'000	S\$'000
<u>Income:</u>			
Insurance claims income	4,910	3,149	8,059
<u>Expenses/loss:</u>			
Inventories written off	-	(5,919)	(5,919)
Property, plant and equipment written off	-	(811)	(811)
Demolition and decontamination costs	(1,031)	(2,320)	(3,351)
Waste disposal costs	(2,760)	(905)	(3,665)
Compensation claims	-	(805)	(805)
Other expenses	(397)	(127)	(524)
Total expenses/losses	<u>(4,188)</u>	<u>(10,887)</u>	<u>(15,075)</u>
Net impact before income tax expenses	<u>722</u>	<u>(7,738)</u>	<u>(7,016)</u>

Some of the key financial highlights of the Group are shown below. "Adjusted" balances exclude the impact of the fire incident for a more reflective analysis of Group performance.

Profitability Highlights	H1 2024	H2 2023	H1 2024 vs H2 2023		H1 2023	H1 2024 vs H1 2023	
			Variance	Fav/(Unfav)		Variance	Fav/(Unfav)
Sales (S\$'mil)	65.2	62.3	2.9	4.6%	60.7	4.5	7.4%
Gross profit (S\$'mil)	15.5	9.1	6.4	69.8%	13.4	2.1	15.9%
<i>Adjusted gross profit (S\$'mil)</i>	<i>15.6</i>	<i>15.1</i>	<i>0.5</i>	<i>3.3%</i>	<i>13.4</i>	<i>2.2</i>	<i>16.6%</i>
Gross profit margin	23.8%	14.7%	9.1%	na	22.0%	1.8%	na
<i>Adjusted gross profit margin</i>	<i>24.0%</i>	<i>24.2%</i>	<i>(0.2%)</i>	<i>na</i>	<i>22.0%</i>	<i>2.0%</i>	<i>na</i>
Total operating expenses and finance costs (S\$'mil)	18.7	19.6	0.9	4.7%	13.2	(5.5)	(42.0%)
<i>Adjusted total operating expenses and finance costs (S\$'mil)</i>	<i>14.6</i>	<i>14.6</i>	<i>-</i>	<i>-</i>	<i>13.2</i>	<i>(1.4)</i>	<i>(11.0%)</i>
Other income (S\$'000)	5,395	3,348	2,047	61.2%	431	4,964	> 100.0%
<i>Adjusted other income (S\$'000)</i>	<i>485</i>	<i>199</i>	<i>286</i>	<i>> 100.0%</i>	<i>431</i>	<i>54</i>	<i>12.4%</i>
Share of profit of associated companies (S\$'000)	728	555	173	31.1%	616	112	18.0%
Profit/(loss) before income tax (S\$'mil)	2.9	(6.6)	9.5	NM	1.3	1.6	> 100.0%
Net profit/(loss) (S\$'mil)	2.0	(6.7)	8.7	NM	0.9	1.1	> 100.0%
<i>Adjusted net profit (S\$'mil)</i>	<i>1.7</i>	<i>1.0</i>	<i>0.7</i>	<i>65.0%</i>	<i>0.9</i>	<i>0.8</i>	<i>79.8%</i>



REVIEW OF PERFORMANCE (cont'd)

Key Financial Highlights (cont'd)

Profitability Highlights	H1 2024	H2 2023	H1 2024 vs H2 2023		H1 2023	H1 2024 vs H1 2023	
			Variance Fav/(Unfav)	%		Variance Fav/(Unfav)	%
Net profit/(loss) margin	3.0%	(10.8%)	13.8%	na	1.5%	1.5%	na
EBITDA (S\$mil)	4.5	(4.9)	9.4	NM	3.0	1.5	52.4%
EBITDA margin	6.9%	(7.9%)	14.8%	na	4.9%	2.0%	na
Earnings/(loss) per share attributable to equity holders of the Company (cents)	1.50	(5.04)	6.54	NM	0.61	0.89	> 100.0%

na : not applicable

NM : not meaningful

Profitability Review

(a) Sales

			Variance Fav/(Unfav)				Variance Fav/(Unfav)	
	H1 2024	H2 2023	H1 2024 vs H2 2023		H1 2023	H1 2024 vs H1 2023		
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
ASEAN	37,613	36,611	1,002	2.7	35,615	1,998	5.6	
Europe	8,554	7,396	1,158	15.7	8,308	246	3.0	
North Asia	5,391	5,423	(32)	(0.6)	4,892	499	10.2	
Australia	5,673	5,393	280	5.2	4,299	1,374	32.0	
Middle East	5,350	5,133	217	4.2	5,426	(76)	(1.4)	
South Asia	2,335	1,987	348	17.5	1,833	502	27.4	
America	105	117	(12)	(10.3)	95	10	10.5	
Africa	154	264	(110)	(41.7)	217	(63)	(29.0)	
Total	65,175	62,324	2,851	4.6	60,685	4,490	7.4	

Geographic Segment Sales Analysis

H1 2024 vs H2 2023

Demand for chemicals increased in the first half of 2024 ("H1 2024"). Generally, almost all markets recorded higher sales in H1 2024 as compared to second half of 2023 ("H2 2023") except for Africa. The biggest increase came from Europe market which recorded higher sales of S\$1.2 million or 15.7%. This was followed by ASEAN market which recorded an increase in sales of S\$1.0 million or 2.7%. Sales to other markets such as Australia, Middle East and South Asia grew by a smaller scale in the range of S\$0.2 million to S\$0.3 million. While sales to North Asia and America markets were relatively unchanged, sales to Africa market fell by S\$0.1 million.

As a result, total sales increased by S\$2.9 million or 4.6% to S\$65.2 million in H1 2024 vis-à-vis sales of S\$62.3 million in H2 2023.

H1 2024 vs H1 2023

As compared to the first half of 2023 ("H1 2023") when demand was weak and the chemical industry was in an inventory overhang situation, total sales increased by S\$4.5 million or 7.4%. ASEAN market recorded a jump in sales of S\$2.0 million or 5.6%. This was followed by the Australia market which grew by S\$1.4 million or 32.0%. Sales to North Asia and South Asia markets recorded higher sales of S\$0.5 million while sales to Europe market increased by a smaller scale of S\$0.2 million.

On the other hand, sales to Middle East and Africa markets each decreased marginally by S\$0.1 million.

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(a) Sales (cont'd)

Business Activity Segment Sales Breakdown

			Variance Fav/(Unfav)		Variance Fav/(Unfav)			
	H1 2024	H2 2023	H1 2024 vs H2 2023		H1 2023	H1 2024 vs H1 2023		
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Distribution activity	63,344	60,756	2,588	4.3	58,542	4,802	8.2	
Manufacturing activity	1,831	1,568	263	16.8	2,143	(312)	(14.6)	
Total Sales	65,175	62,324	2,851	4.6	60,685	4,490	7.4	

H1 2024 vs H2 2023

H1 2024 vs H1 2023

Sales from distribution segment increased by S\$2.6 million or 4.3% and S\$4.8 million or 8.2% over H2 2023 and H1 2023 respectively.

Sales from the contract manufacturing segment increased by S\$0.3 million or 16.8% over H2 2023 but declined by S\$0.3 million or 14.6% as compared to H1 2023.

(b) Gross profit

H1 2024 vs H2 2023

H1 2024 vs H1 2023

Gross profit margin improved in H1 2024 (23.8%) as compared to H2 2023 (14.7%) and H1 2023 (22.0%). This was mainly due to inventory destroyed in the fire written off in H2 2023 and lower allowance for inventory impairment recorded in H1 2024 over H1 2023.

As sales achieved in H1 2024 were higher as compared to H2 2023 and H1 2023, gross profit increased by S\$6.4 million or 69.8% over H2 2023 and S\$2.1 million or 15.9% vis-à-vis H1 2023.

After adjusting for the impact of fire, gross profit margin for H1 2024 (24.0%) would be relatively unchanged as compared to H2 2023 (24.2%) and higher than H1 2023. Gross profit for H1 2024 would have increased by S\$0.5 million or 3.3% and S\$2.2 million or 16.6% respectively over H2 2023 and H1 2023.

(c) Other income

			Variance Fav/(Unfav)		Variance Fav/(Unfav)			
	H1 2024	H2 2023	H1 2024 vs H2 2023		H1 2023	H1 2024 vs H1 2023		
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Insurance claims	5,241	3,156	2,085	66.1	-	5,241	NM	
Net foreign exchange translation gains	-	-	-	-	101	(101)	(100.0)	
Trade receivables recovered	64	137	(74)	(53.6)	230	(166)	(72.3)	

NM : not meaningful

H1 2024 vs H2 2023

Other income in H1 2024 increased by S\$2.0 million 61.2% as compared to H2 2023. This was mainly due to higher insurance compensation claims of S\$2.1 million offset by lower trade receivables recovered of S\$74,000.



REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(c) Other income (cont'd)

H1 2024 vs H1 2023

Other income increased by S\$5.0 million year-on-year. The increase was mainly due to insurance compensation claims of S\$5.2 million offset by the absence of net foreign exchange translation gains of S\$101,000 and lower trade receivables recovered of S\$166,000.

(d) Operating expenses

	H1 2024		H2 2023		Variance Fav/(Unfav) H1 2024 vs H2 2023		Variance Fav/(Unfav) H1 2024 vs H1 2023	
	S\$'000	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Compensation claims	5	809	804	99.4	-	(5)	NM	
Demolition and decontamination costs	1,031	2,320	1,289	55.6	-	(1,031)	NM	
Depreciation of property, plant and equipment	428	431	3	0.7	522	94	17.9	
Depreciation of right-of-use assets	176	229	53	23.3	202	26	13.0	
Employee compensation	8,401	7,975	(426)	(5.3)	7,515	(886)	(11.8)	
Insurance expenses	338	185	(153)	(82.5)	160	(178)	(> 100.0)	
Property, plant and equipment written off	-	811	811	100.0	-	-	-	
Net foreign exchange translation losses	149	142	(7)	(4.8)	-	(149)	NM	
Professional fees	378	642	294	41.1	328	(50)	(15.5)	
Waste disposal costs	2,775	910	(1,865)	(> 100.0)	12	(2,763)	(> 100.0)	
Warehouse storage charges	1,666	1,394	(272)	(19.5)	1,321	(345)	(26.2)	

H1 2024 vs H2 2023

Operating expenses for H1 2024 decreased by S\$0.9 million or 4.8% to S\$17.7 million as compared to H2 2023 (S\$18.6 million). The decrease was mainly due to lower customer compensation claims and demolition and decontamination costs and the absence of losses arising from property, plant and equipment written off. These expenses/losses were incurred in H2 2023 because of the fire incident. Lower professional fees were incurred in H1 2024 as SAP system upgrade was completed in H2 2023.

The decrease was partly offset by higher employee compensation of S\$0.5 million, higher warehouse storage charges of S\$0.3 million, which were mainly caused by an increase in warehousing rates, and higher insurance expenses of S\$0.2 million.

After adjusting for the impact of fire, H1 2024 operating expenses would be relatively unchanged at S\$14.6 million.

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(d) Operating expenses (cont'd)

H1 2024 vs H1 2023

Year-on-year, operating expenses increased by S\$5.5 million or 45.5% as compared to H1 2023 (S\$12.2 million). The increase was mainly due to expenses that were incurred consequential to the fire incident such as S\$1.0 million demolition and decontamination costs, S\$2.8 million waste disposal costs and higher warehouse storage charges of S\$0.3 million.

Other costs increase include higher employee compensation of S\$0.9 million, higher insurance expenses of S\$0.2 million and net foreign exchange translation losses of S\$0.1 million (as compared to net foreign exchange translation gains recorded in H1 2023).

After adjusting for the impact of fire, H1 2024 operating expenses would have increased by S\$1.4 million or 11.0% as compared to H1 2023.

(e) Finance costs

Finance costs comprised the following:-

	H1 2024	H2 2023	Variance Fav/(Unfav)		H1 2023	Variance Fav/(Unfav)	
	S\$'000	S\$'000	H1 2024 vs H2 2023	%	S\$'000	H1 2024 vs H1 2023	%
Bills payables	514	489	(25)	(5.0)	473	(41)	(8.7)
Bank loans	390	442	52	11.7	397	7	2.0
Bank overdraft	17	28	11	38.8	54	37	68.2
Hire purchase	11	9	(2)	(27.4)	4	(7)	(> 100.0)
Leases for right-of-use assets	67	73	6	8.0	68	1	1.3
Total finance costs	999	1,041	42	4.0	996	(3)	(0.3)

H1 2024 vs H2 2023

H1 2024 vs H1 2023

Finance costs for H1 2024 decreased by S42,000 or 4.0% over H2 2023 mainly due to lower borrowings while finance costs were relatively unchanged as compared to H1 2023.

(f) Share of profit of associated companies

H1 2024 vs H2 2023

Our share of profit of associated companies increased by S\$173,000 or 31.1% as compared to H2 2023.

H1 2024 vs H1 2023

Vis-à-vis H1 2023, our share of profit of associated companies increased by S\$112,000 or 18.0%.

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

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

H1 2024 vs H2 2023

H1 2024 recorded profit before tax of S\$2.9 million as compared to loss before tax of S\$6.6 million in H2 2023. The increase in profitability was primarily due to lower expenses/losses and higher insurance claims income attributed to the fire incident as well as higher sales achieved in H1 2024.

In line with higher profitability, income tax expense increased by S\$0.8 million and a net profit after tax of S\$2.0 million was recorded in H1 2024 as compared to net loss after tax of S\$6.7 million.

H1 2024 vs H1 2023

Profit before tax increased by S\$1.6 million or 133.5% over H1 2023. With higher income tax expense of S\$0.6 million, net profit after tax was S\$1.1 million or 113.3% higher year-on-year. Similarly, EBITDA increased by S\$1.6 million or 52.4% vis-à-vis H1 2023. The increase in profitability was due to higher sales and gross profit margin, higher other income (mainly insurance claims income) offset by higher expenses (contributed mainly by the fire incident).

After adjusting for the impact of the fire, H1 2024 net profit after tax would be S\$1.7 million, which represent an increase of S\$0.7 million or 65.0% and S\$0.8 million or 79.8% over H2 2023 and H1 2023 respectively.

(h) Total comprehensive income

Translation gains or losses arise from translation of foreign currency denominated asset and liabilities of subsidiaries and associated companies. Translation losses recorded for H1 2024 of S\$0.2 million was largely due to the depreciation of Thai Baht.

H1 2024 vs H2 2023

Comprehensive income for H1 2024 increased by S\$9.0 million due to lower translation losses of S\$0.3 million incurred in H1 2024 as compared to H2 2023 (S\$0.5 million).

H1 2024 vs H1 2023

Comprehensive income in H1 2024 increased by S\$1.5 million year-on-year due to lower translation losses of S\$0.5 million incurred in H1 2024 as compared to H1 2023 (S\$0.7 million).

Financial Position Review

Financial Position Highlights	As at		Variance 30 June 2024 vs 31 December 2023 Fav/(Unfav)
	30 June 2024	31 December 2023	
Cash (S\$mil)	13.3	13.6	(0.3)
Borrowings (S\$mil)	27.6	28.5	0.9
Current ratio (times)	1.7	1.7	-
Gearing ratio (times)	0.53	0.57	0.04
Net gearing ratio (times)	0.28	0.30	0.02
Net assets per share attributable to equity holders of the Company (cents)	38.73	37.48	1.25
Inventory turnover (days)	143	170	27
Trade receivables turnover (days)	66	76	10
Trade payable turnover (days)	28	35	(7)

(i) Property, plant and equipment

The carrying value of property, plant and equipment increased by S\$0.2 million from S\$14.6 million as at 31 December 2023 to S\$14.8 million as at 30 June 2024. Additional capital expenditure of S\$0.6 million (mainly for motor vehicles and construction-in-progress for warehouse at 132 Pioneer Road) were offset by depreciation charge of S\$0.5 million for the current reporting period.

(j) Right-of-use assets

The carrying value of right-of-use assets remained relatively unchanged at S\$2.3 million as at 30 June 2024. New leases recognised of S\$101,000 was offset by depreciation charge of S\$176,000 in the current reporting period.

(k) Investment in associated companies

The carrying value of investment in associated companies remained relatively unchanged at S\$8.4 million as at 30 June 2024. The positive contribution from operation in H1 2024 of S\$0.7 million was offset by dividend return of S\$0.4 million and foreign exchange translation losses of S\$0.3 million.

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

Financial assets at fair value through other comprehensive income as at 30 June 2024 and 31 December 2023 related to investment in unquoted equity shares.

(m) Trade and other receivables

Net trade receivables increased marginally by S\$0.1 million or 0.7% from S\$23.0 million as at 31 December 2023 to S\$23.1 million as at 30 June 2024. The increase was because of higher sales in H1 2024 as compared to H2 2023. Turnover days decreased by 10 days from 76 days for the full year of 2023 to 66 days in H1 2024.

(n) Inventories

Inventories decreased by S\$2.1 million or 6.4% from S\$33.6 million as at 31 December 2023 to S\$31.4 million as at 30 June 2024. The decrease in inventory was mainly due to higher sales in H1 2024. Inventory turnover days decreased by 27 days from 170 days for the full year of 2023 to 143 days in H1 2024.

REVIEW OF PERFORMANCE (cont'd)

Financial Position Review (cont'd)

(o) Other current assets

Other current assets increased by S\$2.5 million or 145.5% to S\$4.3 million as at 30 June 2024 primarily due to higher advance payments to vendors and prepayments of expenses .

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

Financial assets at fair value through profit or loss were not significant as at 30 June 2024 and 31 December 2023.

Financial liabilities at fair value through profit or loss decreased by S\$40,000 to S\$11,000 as at 30 June 2024.

(q) Trade and other payables

Total trade payables decreased marginally by S\$0.1 million or 1.4% from S\$7.1 million as at 31 December 2023 to S\$7.0 million as at 30 June 2024 primarily. Turnover days decreased to 28 days as compared to 35 days for the full year of 2023.

Other payables in aggregate decreased by S\$0.8 million from S\$8.1 million as at 31 December 2023 to S\$7.3 million as at 30 June 2024 mainly due to lower accrued liabilities of S\$1.6 million offset by higher advance payments received from customers of S\$0.2 million and higher sundry payables of S\$0.6 million.

(r) Financial liabilities - lease liabilities

The carrying value of lease liabilities increased by S\$0.2 million to S\$3.1 million as at 30 June 2024. New hire purchase and right-of-use assets recognised of S\$247,000 and S\$101,000 respectively and accretion of interest of S\$79,000 was offset by repayment of lease liabilities of S\$239,000 in H1 2024.

(s) Borrowings

Total borrowings decreased by S\$0.9 million or 3.0% from S\$28.5 million as at 31 December 2023 to S\$27.6 million as at 30 June 2024. This decrease was mainly due to repayment of short term bank loans.

In line with lower total borrowings, our gearing and net gearing ratio decreased from 0.57 times and 0.30 times as at 31 December 2023 to 0.53 times and 0.28 times as at 30 June 2024 respectively.

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

Net asset value per share increased from 37.48 cents as at 31 December 2023 to 38.73 cents as at 30 June 2024 primarily due to total comprehensive income recorded for equity holders for the current reporting period of S\$1.7 million.

Cashflow Review

Positive cash flow from operating activities of S\$2.1 million was generated in H1 2024 primarily due to profitable operation, a reduction in inventory and insurance claims income received. Other major cash inflows consist of dividend received from associated company of S\$0.4 million.

Positive cash flow was utilised to reduce borrowings of S\$0.9 million, to pay for capital expenditure of S\$0.4 million, bank interest of S\$0.9 million and to acquire equity shares from non-controlling interest of S\$0.4 million.

Due to the fire incident, no dividend was paid for the financial year 2023.

As a result, overall cash and cash equivalents decreased by S\$0.3 million from S\$13.0 million as at 31 December 2023 to S\$12.7 million as at 30 June 2024.



RISK

We believe the imminent risks to our financial performance for the second half of the financial year ending 31 December 2024 ("H2 2024") are as follows:

Economic risk

Economic growth in H1 2024 has been resilient so far but concern is growing over the possibility that future interest rate cuts may come too late to avert a potential recession as global economic growth starts to decelerate. Inevitably, the impact will be felt in the chemical industry which may in turn have an adverse effect on our performance.

China's ailing property market and sluggish economic growth is also casting a gloom over the chemical industry.

Supply chain risk

The Israel-Hamas conflicts, which remains unresolved, has driven freight cost significantly higher and caused delay in shipment. If the situation persists, it may hamper further growth in our business.

Energy prices

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

Inventory risk

Our business involves keeping inventory of chemicals to meet customers' requirements. In the event of an unexpected fall in customers' demand levels, we may end up with excess inventory. This will have a negative impact on our profitability.

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. Even though we are moving closer to a cycle of lower interest rates, they are likely to remain elevated in H2 2024. Hence our borrowing cost will remain high.

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.



PROSPECTS

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

Economy

Political conflicts, high interest rates and trade protectionism have not prevented the global economy from continuing on its growth trajectory. However, as the impact of the interest rates hike cycle continues to be felt, economic growth has moderated and may remain at a modest pace.

Chemical industry

Following a period of destocking, the inventory level in the industry has somewhat normalized in the H1 2024. Business condition, compared to last year, may be more stable and conducive for the industry as the inventory normalization phase may continue into H2 2024. Nevertheless, as economic growth moderates, demand for chemicals may follow suit since chemical industry and the economy are inextricably linked.

Megachem

If the conditions in the global economy and industry remain positive, the recovery momentum in our business, seen in the H1 2024, may remain intact in the H2 2024. However, if economic growth slows significantly, our recovery momentum may be derailed. Hence, we will continue to focus on building business resilience and maintaining financial discipline.

Rebuilding our warehouse

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 groundwork for the rebuilding of our warehouse had already commenced, following the completion of the demolition, waste decontamination and disposal phase. Various professionals such as the architect and other engineers required for the rebuilding had already been appointed.

We have received the Permit to Commence Work from Building & Construction Authority on 31 July 2024. If all go as planned, we target to start construction by end of August 2024 and to complete by end of 2025.

The contract value for the building is approximately S\$16.2 million (excluding professional fees, equipment and fixtures). This will be funded by insurance compensation proceeds, bank loan and internal funds.

While the reconstruction of the warehouse will increase our cost in the short term, the new warehouse, which is bigger, safer and more environmentally-friendly, will lead to lower warehousing cost in the longer term as we reduce our reliance on third party warehouses. This will enhance our competitiveness.



DIVIDEND

(a) Current financial year reported on

Any interim dividend declared for the financial period ended? Yes

The directors are pleased to declare an interim tax exempt dividend of 0.5 cent per share in respect of the financial period ended 30 June 2024 as follows:

Name of dividend	Interim
Dividend type	Cash
Dividend amount per share (in cents)	0.5
Tax rate	Exempt

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the immediately preceding financial period ended 30 June 2023? No

In view of the occurrence of the fire incident and after considering the consequential additional working capital required, no interim dividend was declared for the immediately preceding financial period ended 30 June 2023.

(c) Date payable

The interim tax exempt dividend of 0.5 cent per share in respect of the financial period ended 30 June 2024 will be paid on 30 September 2024.

(d) Record date

The Share Transfer Books and Register of Members of the Company will be closed on 10 September 2024 for the purpose of determining member's entitlements to the proposed interim tax exempt dividend.

Duly completed and stamped transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd), 9 Raffles Place, #26-01 Republic Plaza, Singapore 048619, up to 5.00pm on 9 September 2024 (the "Record Date") will be registered to determine member's entitlements to the proposed dividend.

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

Payment of the interim tax exempt dividend of 0.5 cent per share will be made on 30 September 2024.



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 Catalist Rules.

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

An announcement was made on 28 March 2024 (announcement reference SG240308OTHRH8B3) to inform shareholders that the Company has increased its percentage shareholding in Megachem (UK) Limited (“MUL”), its 85% owned subsidiary company, by acquiring 12,000 ordinary shares at a total consideration of S\$393,415 from an existing minority shareholder. Subsequent to the above acquisition, the Company’s percentage shareholding in MUL increased from 85% to 97%.

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

I, Chew Choon Tee, being the Managing Director of Megachem Limited, do hereby confirm on behalf of the Board of Directors that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited results for the half year ended 30 June 2024 to be false or misleading in any material aspects and the financial statements are in compliance with relevant accounting standards.

On behalf of the Board of Directors

Chew Choon Tee
Managing Director

13 August 2024