



Multi-Chem Limited

(Incorporated in Singapore. Registration Number: 198500318Z)

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

CONSOLIDATED INCOME STATEMENT

Group	6 months ended		
	30-06-2020 \$'000	30-06-2019 \$'000	Change %
Revenue	226,047	198,937	14
Cost of sales	(192,655)	(168,511)	14
Gross profit	33,392	30,426	10
Other items of income			
- Interest income	369	264	40
- Other income	2,470	2,982	(17)
Other items of expense			
- Selling and distribution costs	(13,918)	(14,095)	(1)
- Administrative and other expenses	(11,259)	(12,581)	(11)
- Reversal of allowance on third party trade receivables	79	425	(81)
- Finance costs	(189)	(391)	(52)
Profit before income tax	10,944	7,030	56
Income tax expense	(2,582)	(2,202)	17
Profit for the financial period	8,362	4,828	73
Profit attributable to:			
Owners of the parent	7,320	3,984	84
Non-controlling interests	1,042	844	23
	8,362	4,828	73
Earnings per share for profit attributable to owners of the parent during the financial period (expressed in cents per share)			
Basic	8.12 cents	4.42 cents	
Diluted	8.12 cents	4.42 cents	

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group	6 months ended		
	30-06-2020	30-06-2019	Change
	\$'000	\$'000	%
Profit for the financial period	8,362	4,828	73
Other comprehensive income for the financial period			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency differences on translation of foreign operations	2,464	(581)	(524)
Fair value change in financial asset, at FVOCI	(117)	-	100
Other comprehensive income for the financial period, net of tax	<u>2,347</u>	<u>(581)</u>	<u>(504)</u>
Total comprehensive income for the financial period	<u>10,709</u>	<u>4,247</u>	<u>152</u>
Total comprehensive income attributable to:			
Owners of the parent	9,263	3,481	166
Non-controlling interests	1,446	766	89
	<u>10,709</u>	<u>4,247</u>	<u>152</u>

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement*For the financial period from 1 January 2020 to 30 June 2020***NOTES TO CONSOLIDATED INCOME STATEMENT**

The profit before income tax is arrived at after (charging)/crediting:

Group	6 months ended		
	30-06-2020 \$'000	30-06-2019 \$'000	Change %
Other gains	2,202	800	175
Interest income	369	264	40
Interest expense	(189)	(391)	(52)
Amortisation of club memberships	(5)	(12)	(58)
Depreciation of property, plant and equipment	(743)	(975)	(24)
Depreciation of right-of-use assets	(667)	(492)	36
Reversal of allowance on third party trade receivables	79	425	(81)
Bad third party trade receivables written off	(13)	(6)	117
Allowance made for inventory obsolescence	(1,362)	(656)	108
Inventories written off	(52)	(28)	86
Foreign exchange gain, net	149	570	(74)
Gain on disposals of plant and equipment	58	1,094	(95)
Plant and equipment written off	-	(11)	(100)
Reversal of impairment loss of plant and equipment	-	460	(100)
Fair value change in financial asset, at FVPL	61	58	5
Fair value change in derivative financial instruments	(32)	-	100

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	10,210	10,169	1,186	1,443
Investment properties	-	-	2,442	2,469
Investments in subsidiaries	-	-	9,892	9,892
Club memberships	760	568	374	374
Right-of-use assets	2,802	3,424	140	163
Deferred tax assets	3,185	3,223	-	-
Financial asset, at FVOCI	325	-	-	-
Financial asset, at FVPL	4,553	4,333	4,553	4,333
Trade receivables	3,930	3,941	-	-
Prepayment	342	384	342	384
	26,107	26,042	18,929	19,058
Current assets				
Inventories	37,223	39,664	368	341
Trade and other receivables	113,936	134,564	31,065	31,721
Prepayments	1,017	1,549	137	119
Current income tax recoverable	4,244	4,539	-	-
Fixed deposits	41,770	25,005	6,313	8,987
Cash and bank balances	35,934	34,569	2,470	275
	234,124	239,890	40,353	41,443
Less:				
Current liabilities				
Trade and other payables	105,768	103,684	2,392	2,686
Contract liabilities	12,102	14,299	-	-
Lease liabilities	983	1,145	38	38
Bank borrowings	6,359	22,895	5,413	8,627
Current income tax payable	3,482	2,621	180	-
Derivative financial instruments	32	-	-	-
	128,726	144,644	8,023	11,351
Net current assets	105,398	95,246	32,330	30,092
Less:				
Non-current liabilities				
Contract liabilities	3,135	2,903	-	-
Lease liabilities	1,986	2,365	88	107
Bank borrowings	193	410	193	410
Provision for post-employee benefits	497	479	-	-
Deferred tax liabilities	527	673	2	2
	6,338	6,830	283	519
	125,167	114,458	50,976	48,631
Equity				
Share capital	37,288	37,288	37,288	37,288
Foreign currency translation reserve/(account)	647	(1,413)	-	-
Other reserves	2,414	2,531	-	-
Retained earnings	72,529	65,209	13,688	11,343
Equity attributable to owners of the parent	112,878	103,615	50,976	48,631
Non-controlling interests	12,289	10,843	-	-
Total equity	125,167	114,458	50,976	48,631

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended	
	30-06-2020	30-06-2019
	\$'000	\$'000
OPERATING ACTIVITIES		
Profit before income tax	10,944	7,030
Adjustments for:		
- Reversal of allowance on third party trade receivables	(79)	(425)
- Allowance made for inventory obsolescence	1,362	656
- Amortisation of club memberships	5	12
- Depreciation of property, plant and equipment	743	975
- Depreciation of right-of-use assets	667	492
- Bad third party trade receivables written off	13	6
- Fair value change in financial asset, at FVPL	(61)	(58)
- Fair value change in derivative financial instruments	32	-
- Gain on disposals of plant and equipment	(58)	(1,094)
- Reversal of impairment loss of plant and equipment	-	(460)
- Interest expense	189	391
- Interest income	(369)	(264)
- Inventories written off	52	28
- Plant and equipment written off	-	11
- Unrealised foreign exchange gain	(725)	(336)
Operating cash flows before working capital changes	12,715	6,964
Working capital changes:		
- Inventories	2,030	(12,011)
- Trade and other receivables	27,172	21,947
- Prepayments	610	457
- Trade and other payables and contract liabilities	(5,026)	1,829
Cash generated from operations	37,501	19,186
Interest received	369	264
Income tax paid	(1,593)	(3,085)
Net cash generated from operating activities	36,277	16,365

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement*For the financial period from 1 January 2020 to 30 June 2020***CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**

	6 months ended	
	30-06-2020	30-06-2019
	\$'000	\$'000
INVESTING ACTIVITIES		
Proceeds from disposals of property, plant and equipment	146	2,321
Purchase of club membership	(190)	-
Purchase of financial assets, at FVOCI	(442)	-
Purchase of plant and equipment	(707)	(659)
Net cash (used in)/generated from investing activities	<u>(1,193)</u>	<u>1,662</u>
FINANCING ACTIVITIES		
Fixed deposits pledged	2,832	(526)
Proceeds from bank borrowings	6,742	13,022
Repayments of bank borrowings	(24,022)	(27,914)
Repayments of lease liabilities	(572)	(410)
Interest paid	(189)	(391)
Dividends paid to owners of the parent	-	(2,973)
Dividends paid to non-controlling shareholders	-	(57)
Net cash used in financing activities	<u>(15,209)</u>	<u>(19,249)</u>
Net change in cash and cash equivalents	19,875	(1,222)
Cash and cash equivalents at beginning of financial period	50,532	50,400
Effects of exchange rate changes on cash and cash equivalents	929	(358)
Cash and cash equivalents at end of financial period (Note 1)	<u><u>71,336</u></u>	<u><u>48,820</u></u>

Note 1*Cash and cash equivalents at end of financial period comprise of:*

Cash and cash equivalents as per Statement of Financial Position	77,704	55,843
Less: Fixed deposits pledged with banks	(6,368)	(7,023)
	<u><u>71,336</u></u>	<u><u>48,820</u></u>

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2020 to 30 June 2020

STATEMENTS OF CHANGES IN EQUITY

Group	Share capital \$'000	Foreign currency translation (account) /reserve \$'000	Premium on acquisition of non-controlling interests \$'000	Fair value reserve \$'000	Statutory reserve \$'000	Retained earnings \$'000	Equity attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2020	37,288	(1,413)	(123)	-	2,654	65,209	103,615	10,843	114,458
Profit for the financial period	-	-	-	-	-	7,320	7,320	1,042	8,362
Other comprehensive income for the financial period									
Foreign currency differences on translation of foreign operations	-	2,060	-	-	-	-	2,060	404	2,464
Fair value change in financial asset, at FVOCI	-	-	-	(117)	-	-	(117)	-	(117)
Total comprehensive income for the financial period	-	2,060	-	(117)	-	7,320	9,263	1,446	10,709
Balance at 30 June 2020	37,288	647	(123)	(117)	2,654	72,529	112,878	12,289	125,167
Balance at 1 January 2019	37,288	(465)	(123)	-	3,622	59,415	99,737	9,137	108,874
Profit for the financial period	-	-	-	-	-	3,984	3,984	844	4,828
Other comprehensive income for the financial period									
Foreign currency differences on translation of foreign operations	-	(503)	-	-	-	-	(503)	(78)	(581)
Total comprehensive income for the financial period	-	(503)	-	-	-	3,984	3,481	766	4,247
Distributions to the owners of the parent									
Dividends	-	-	-	-	-	(2,973)	(2,973)	-	(2,973)
Total transactions with the owners of the parent	-	-	-	-	-	(2,973)	(2,973)	-	(2,973)
Transactions with non-controlling shareholders									
Dividends paid by a subsidiary	-	-	-	-	-	-	-	(57)	(57)
Total transactions with non-controlling shareholders	-	-	-	-	-	-	-	(57)	(57)
Balance at 30 June 2019	37,288	(968)	(123)	-	3,622	60,426	100,245	9,846	110,091

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement*For the financial period from 1 January 2020 to 30 June 2020***STATEMENTS OF CHANGES IN EQUITY (Continued)**

Company	Share capital	Retained earnings	Total equity
	\$'000	\$'000	\$'000
Balance at 1 January 2020	37,288	11,343	48,631
Profit for the financial period	-	2,345	2,345
Total comprehensive income for the financial period	-	2,345	2,345
Balance at 30 June 2020	37,288	13,688	50,976
Balance at 1 January 2019	37,288	20,935	58,223
Profit for the financial period	-	78	78
Total comprehensive income for the financial period	-	78	78
Transaction with the owners			
Dividends paid	-	(2,973)	(2,973)
Total transactions with the owners	-	(2,973)	(2,973)
Balance at 30 June 2019	37,288	18,040	55,328

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

A review of the financial performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonable or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVENUE

For the six months ended 30 June 2020 ("1H2020"), the Group achieved revenue of \$226.0m, a year-on-year increase of 13.6% or \$27.1m, compared to revenue of \$198.9m achieved for the six months ended 30 June 2019 ("1H2019").

For 1H2020, the IT Division accounted for 99.5% of the Group's revenue, while the PCB Division accounted for the remaining 0.5% of the Group's revenue.

IT Division

The IT Distribution business achieved revenue of \$225.0m in 1H2020, an increase of 13.9% or \$27.4m, from \$197.6m in 1H2019.

The increase in revenue for 1H2020 was mainly due to the increase in customer demands arising from the push in and increased reliance on digital technologies during COVID-19 pandemic.

PCB Division

Revenue in this Division decreased by 21.2% or \$276,000, from \$1.3m in 1H2019 to \$1.0m in 1H2020. The decrease in revenue was mainly due to lower customer demands and reduction of manufacturing capacity of the Group resulting from disposal of the remaining 2 laser machines in Singapore during 1H2020.

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

PROFIT BEFORE TAX (“PBT”)

The Group registered a PBT of \$10.9m in 1H2020, as compared to \$7.0m in 1H2019.

The increase in PBT was mainly due to the following: -

- (1) An increase in gross profit of \$3.0m. The increase in gross profit was mainly due to the increase in revenue;
- (2) An increase in other gains of \$1.4m from \$800,000 in 1H2019 to \$2.2m in 1H 2020, mainly due to Job Support Scheme payout received from the government during COVID-19 pandemic;
- (3) Severance payment of \$1.1m to employees in 1H2019 due to cessation of operation in a China subsidiary. There was no such payment made in 1H2020;
- (4) A decrease in travelling and entertainment expenses by \$514,000 in 1H2020 as compared to 1H2019, mainly due to escalation of the COVID-19 outbreak into a global pandemic;
- (5) A decrease in depreciation of property, plant and equipment of \$232,000 from \$975,000 in 1H2019 to \$743,000 in 1H2020 mainly due to depreciation charged on 22 mechanical drilling machines and 16 laser drilling machines before disposal in 1H2019; and
- (6) A decrease in finance costs of \$202,000 from \$391,000 in 1H2019 to \$189,000 in 1H2020, mainly due to lower bank borrowing drawdown in 1H2020.

The increase in PBT was however pared by the following:

- (1) A decrease in gain on disposal of plant and equipment of \$1.0m from \$1.1m in 1H2019 to \$58,000 in 1H2020, mainly due to disposal of 22 mechanical drilling machines and 16 laser drilling machines in China during 1H2019;
- (2) An increase in allowance for inventory obsolescence of \$706,000 from \$656,00 in 1H2019 to \$1.4m in 1H2020 based on the review of inventory obsolescence performed as at 30 June 2020;
- (3) A decrease in net foreign exchange gain of \$421,000 from \$570,000 in 1H2019 to \$149,000 in 1H2020, mainly due to appreciation of United States dollar against Singapore dollar, net of foreign exchange loss due to depreciation of United States dollar against most of the local currencies in 1H2020. Excluding net foreign exchange differences, the Group reported a PBT of \$10.8m in 1H2020, compared to a PBT of \$6.5m in 1H2019;
- (4) A decrease in reversal of allowance on third party trade receivables of \$346,000 from \$425,000 in 1H2019 to \$79,000 in 1H2020, based on the impairment review performed in 1H2020 in accordance to SFRS(I) 9;

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

PROFIT BEFORE TAX (“PBT”) (Continued)

- (5) An increase in depreciation of right-of-use assets of \$175,000 from \$492,000 in 1H2019 to \$667,000 in 1H2020, mainly due to new long-term leases entered during 2H2019; and
- (6) A reversal of impairment loss of plant and equipment of \$460,000 in 1H2019 and there is no such reversal in 1H2020.

PROFIT AFTER TAX (“PAT”)

In 1H2020, the Group achieved PAT of \$8.4m as compared to \$4.8 in 1H2019, mainly due to the increase in PBT, offset by the increase in tax expenses. The increase in tax expenses from \$2.2m in 1H2019 to \$2.5m in 1H2020 was mainly due to higher profit attained in 1H2020.

Income tax expenses comprised mainly current income tax, deferred tax and withholding tax expenses of the Group.

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

STATEMENTS OF FINANCIAL POSITION REVIEW

Presented below is a review of material changes in the key statements of financial position items as at 30 June 2020 compared to 31 December 2019.

Property, plant and equipment increased by \$41,000 at the Group level mainly due to purchases of plant and equipment, net of depreciation charge and disposal of plant and equipment in 1H2020. At the Company level, property, plant and equipment decreased from \$1.4m to \$1.2m due to disposal of plant and equipment and depreciation charge of plant and equipment in 1H2020.

Right-of-use assets decreased by \$622,000 at the Group level mainly due to depreciation charge, net of new long-term leases capitalized in 1H2020. At Company level, right-of-use assets decreased by \$23,000 due to depreciation charge in 1H2020.

Club membership at the Group level increased by \$192,000 from \$568,000 to \$760,000 mainly due to purchase of club membership, net of amortisation charge in 1H2020. Club membership in the Company level remained unchanged.

Financial asset, at FVOCI refers to financial asset at fair value through other comprehensive income and the Group has elected to classify equity investments, which are not accounted for as subsidiary, associate or jointly controlled entity, as financial asset at fair value through other comprehensive income. This increased by \$325,000 at the Group level due to new investment in listed equity instrument, net of fair value change in 1H2020. There was no financial asset, at FVOCI at the Company level.

Financial asset, at FVPL refers to financial asset at fair value through profit or loss. The Group and the Company classifies the investment in life insurance plan as financial assets at fair value through profit or loss and this increased by \$220,000 at both the Group and the Company level due to currency revaluation gain and fair value gain in 1H2020.

Cash and cash equivalents at the Group level increased by \$18.1m from \$59.6m to \$77.7m. The increase was mainly due to collection from trade and other receivables and proceeds from bank borrowings, net of repayment of bank borrowings. At the Company level, cash and cash equivalents decreased from \$9.3m to \$8.8m mainly due to repayment of bank borrowings, net of repayment from a subsidiary.

Trade and other receivables of the Group decreased by \$20.6m from \$138.5m to \$117.9m, mainly due to collection received from customers in 1H2020. At the Company level, trade and other receivables decreased by \$656,000 from \$31.7m to \$31.1m, mainly due to repayment from a subsidiary.

Inventories at the Group level decreased by \$2.5m from \$39.7m to \$37.2m mainly due to decrease in IT inventories. Inventories at Company level remain relatively unchanged.

Prepayments at the Group level decreased by \$574,000 from \$1.9m to \$1.3m mainly due to realisation of expenses in 1H2020. Prepayments at Company level remain relatively unchanged.

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

STATEMENTS OF FINANCIAL POSITION REVIEW (Continued)

Trade and other payables increased by \$2.1m from \$103.7m to \$105.8m at the Group level mainly due to increased purchases corresponding with the increase in revenue in 1H2020. At the Company level, trade and other payables decreased from \$2.7m to \$2.4m mainly due to accrued operating expenses paid in 1H2020.

Contract liabilities decreased by \$2.0m from \$17.2m to \$15.2m at the Group level mainly due to decrease in advance billings and rebate to customers, net of increase in deferred revenue. There was no contract liability at the Company level.

Current income tax payable increased at both Group and Company level mainly due to higher taxable profits and deferment of corporate income tax payment due in 1H2020 to 2H2020 in Government's effort to ease the cash flow needs for companies in Singapore.

Bank borrowings decreased at both Group and Company level mainly due to repayments made to the financial institutions.

Lease liabilities decreased by \$541,000 and \$19,000 at the Group and Company level respectively mainly due to repayments made, net of new long term leases capitalised in 1H2020.

Foreign currency translation reserve of \$647,000 in comparison to foreign currency translation account \$1.4m at the Group level mainly due to appreciation of United States dollar and Chinese renminbi against Singapore dollar.

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

CASH FLOW ANALYSIS

Net cash of \$36.3m was generated from operating activities in 1H2020, as compared to net cash of \$16.4m generated in 1H2019. This was mainly due to higher profit before income tax attained, increase in collection from customers, decrease in inventories owing to higher inventory turnover in 1H2020, net of payments made to suppliers.

Net cash of \$1.2m was used in investing activities in 1H2020, as compared to \$1.7m generated from investing activities in 1H2019. The change was mainly due to purchase of plant and equipment of \$707,000, purchase of financial assets, at FVOCI of \$442,000 and purchase of club membership \$190,000, net of proceeds from disposals of plant and equipment of \$146,000 in 1H2020, as compared to proceeds from disposals of plant and equipment of \$2.3m, net of purchase of plant and equipment of \$659,000 in 1H2019.

Net cash of \$15.2m was used in financing activities in 1H2020 as compared to \$19.2m used in 1H2019. This was mainly due to repayment of bank borrowings of \$24.0m, repayment of lease liabilities of \$572,000, net of proceeds from bank borrowings of \$6.7m and lift in fixed deposits pledged of \$2.8m in 1H2020, as compared to repayment of bank borrowings of \$27.9m, fixed deposits pledged of \$526,000, repayment of lease liabilities of \$410,000 and dividend paid of \$3.0m, net of proceeds from bank borrowings of \$13.0m in 1H2019. There was no dividend paid in 1H2020 due to Annual General Meeting held on 26 June 2020 and dividend was paid in 2H2020.

Cash and cash equivalents stood at \$71.3m as at 30 June 2020, up from \$48.8m as at 30 June 2019.

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next twelve months.

IT

The IT business through Singapore and the regional offices achieved a year-on-year revenue growth of 13.9% in 1H2020 over the corresponding period in year 2019. The increase in revenue was mainly due to the increase in customer demands arising from the push in and increased reliance on digital technologies during COVID-19 pandemic. The Group is monitoring the impact of COVID-19 and will continue to be vigilant during this challenging time.

The Group has a focused strategy of selling and promoting only the best-of-breed IT products. Among the products the Group currently carries are industry-leading IT products from Carbon Black, Check Point, CyberArk, McAfee, Imperva, Proofpoint, Riverbed, RSA, Solarwinds, Symantec (a division of Broadcom) and Trend Micro.

To promote technical competency internally and to train its partners, the Group is able to provide certified IT training through the Education Services Division of M.Tech Products Pte Ltd, which is authorised to conduct training for Allot, Check Point and Symantec (a division of Broadcom) courses. This business is complementary to the core IT distribution business and is expected to bring about more awareness and technical knowledge through the courses conducted.

As at 30 June 2020, the Group's IT business had a presence in 29 cities in 15 countries in the Asia Pacific region and Europe. M.Tech offices in countries that are already mature in operations are expected to contribute more to the Group's performance.

The near term outlook in the IT business is dependent on events such as those political or economic in nature and such events could affect business in certain markets. With the COVID-19 pandemic and continuing trade tensions between the US and China, the global economic outlook remains uncertain which in turn will affect the Group's business. However, IT is still a critical requirement in businesses and security will continue to remain an integral part of the IT infrastructure. This should augur well for the Group's business.

For growth, the Group will focus on its best-of-breed products and will continue to look out for opportunities for regional expansion. The Group will also be selective of the products we carry so as to be able to do the best for the principals that the M.Tech companies represent. The Group will also promote the M.Tech brand name and intends to work closely with key partners to further promote the products.

Interim Financial Statements and Dividend Announcement
For the financial period from 1 January 2020 to 30 June 2020

PCB

Revenue in PCB division dropped by 21.2% in 1H2020 over the corresponding period in year 2019. The decrease in revenue was mainly due to lower customer demands and reduction of manufacturing capacity of the Group resulting from disposal of the remaining 2 laser machines in Singapore during 1H2020. With the reduction in the number of machines, contribution from PCB business is expected to be further reduced.

As at 30 June 2020, the Group had 7 mechanical drilling machines.

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

Risk Factors

The Group's primary business risk is in its IT business. In the area of IT business, the Group is subject to risk of reliance on a few key vendors, with respect to their channel strategies, as well as product roadmap. The Group is also exposed to the risks of product obsolescence with respect to the hardware carried. To mitigate such risk, the Group has taken steps to align with the leading names in the IT arena. The Group monitors its inventories on a quarterly basis and will make allowances where necessary.

The Group is also exposed to foreign exchange risks as we transact with our suppliers, vendors and customers in Singapore dollar, US dollar, Chinese renminbi, Australian dollar, Thailand baht, Malaysian ringgit, Indian rupee, Indonesian rupiah, Taiwan dollar, Hong Kong dollar, Philippines peso, and to a lesser extent, Euro, Korean won, Japanese yen, Vietnam dong, New Zealand dollar, British Pound and Sri Lankan rupee. The Group may, from time to time, enter into borrowing and foreign currency arrangements to reduce its foreign currency exposure. With any volatility in the US dollar, the Group expects to be exposed to a higher foreign exchange risk against some of the local currencies we collect from the customers.

The Group is also exposed to the political, legal and economic climates of the country in which the Group is operating. Economic and political conditions are still key factors in determining the level of IT spending.

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement*For the financial period from 1 January 2020 to 30 June 2020*

Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The actual results for 1H2020 were largely in line with the prospect commentary disclosed to the shareholders on 14 February 2020.

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS**1. AGGREGATE AMOUNT OF GROUP'S BORROWINGS AND DEBT SECURITIES****Amount repayable in one year or less, or on demand**

As at 30 Jun 2020		As at 31 Dec 2019	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
5,413	946	8,627	14,268

Amount repayable after one year

As at 30 Jun 2020		As at 31 Dec 2019	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
193	-	410	-

Additional information and details of any collateral

The secured borrowings are secured on the Group's investment in life insurance plan and fixed deposits placed with the financial institutions.

2. SHARE CAPITAL

Group	Issued shares '000	Share capital \$'000	Total share capital \$'000
Balance at 1 Jan 2020 and 30 Jun 2020	90,095	37,288	37,288
Balance at 1 Jan 2019 and 30 Jun 2019	90,095	37,288	37,288

3. A statement showing all sales, transfers, disposal, cancellation and/or issue of treasury shares as at the end of the current financial period reported on.

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited annual financial statements for the financial year ended 31 December 2019. In addition, the Group also adopted various revisions to Singapore Financial Reporting Standards (International) ("SFRS(I)"), which became effective during the period. The said adoption has no significant impact to the financial statements of the Group.

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS

5. **If there are any changes in accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has early adopted the Amendment to FRS 116 *Covid-19-Related Concessions* for the financial period beginning 1 January 2020.

As a practical expedient, the Group has elected not to assess whether a rent concession that meets the conditions below is a lease modification:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extended beyond 30 June 2021); and
- there is no substantive change to other terms and conditions of the lease.

The Group has accounted for the change in lease payments resulting from the rent concession in the same way it would account for the change applying FRS 116 if the change were not a lease modification.

6. **Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures presented in the announcement have not been audited or reviewed by our auditors.

7. **Where the figures have been audited or reviewed, the auditor's report (including any qualification of emphasis of a matter).**

Not applicable.

- 7A. **Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-**

- (a) **Updates on the efforts taken to resolve each outstanding audit issue.**
- (b) **Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS

8. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

<u>Group</u> Earnings per share attributable to owners of the parent during the financial period (expressed in cents per share)	6 months ended	
	30-Jun-2020	30-Jun-2019
(i) Based on weighted average number of shares	8.12 cents	4.42 cents
- Weighted average number of shares ('000)	90,095	90,095
(ii) On fully diluted basis	8.12 cents	4.42 cents
- Adjusted weighted average number of shares ('000)	90,095	90,095

9. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

	Group		Company	
	30-Jun-2020	31-Dec-2019	30-Jun-2020	31-Dec-2019
Net asset value per share based on existing issued share capital as at the respective period	125.29 cents	115.01 cents	56.58 cents	53.98 cents

The net asset value per ordinary share at the end of the current period and the immediately preceding financial year have been calculated based on 90,095,000 ordinary shares.

10. DIVIDEND

(a) **Current Financial Period Reported On**

No dividend has been declared/recommended for the financial period ended 30 June 2020 as the Board of Directors would like to invest the profits earned into further growth of the Group.

(b) **Dividend for financial period ended 30 June 2019**

No dividend was declared/recommended for the financial period ended 30 June 2019.

Multi-Chem Limited

Registration No. 198500318Z

Interim Financial Statements and Dividend Announcement

For the financial period from 1 January 2020 to 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS

11. **If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions. If no IPT mandate has been obtained, a statement to that effect.**

There is no general mandate from shareholders for IPTs obtained.

12. **Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

The Company confirmed that it has procured undertakings from all its directors and executive officer under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Foo Suan Sai
Chief Executive Officer
3 August 2020

Negative assurance confirmation on interim financial results under SGX Listing Rule 705(5) of the Listing Manual

We, Foo Suan Sai and Han Juat Hoon, being two Directors of Multi-Chem Limited (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the first half year ended 30 June 2020 to be false or misleading in any material aspects.

On behalf of the Board of Directors

Foo Suan Sai
Chief Executive Officer
Singapore, 3 August 2020

Han Juat Hoon
Chief Operating Officer
Singapore, 3 August 2020