



MEGACHEM LIMITED

Condensed Interim Financial Statements

For The Second Half Year and Full
Year Ended
31 December 2021

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**CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE SECOND HALF YEAR/FULL YEAR ENDED 31 DECEMBER 2021**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND HALF
YEAR ENDED 31 DECEMBER 2021**

		Unaudited For the half year ended 31 December 2021	Unaudited For the half year ended 31 December 2020	Variance Favourable/(Unfavourable)	
	Note	S\$	S\$	S\$	%
Revenue	3	72,992,561	53,221,230	19,771,331	37.1%
Cost of sales		<u>(55,279,178)</u>	<u>(39,915,469)</u>	(15,363,709)	(38.5%)
Gross profit		17,713,383	13,305,761	4,407,622	33.1%
Other income	4	459,641	997,976	(538,335)	(53.9%)
Distribution costs		(9,169,561)	(7,505,325)	(1,664,236)	(22.2%)
Administrative expenses		(3,295,736)	(2,925,003)	(370,733)	(12.7%)
Other operating expenses		(1,446,423)	(1,599,139)	152,716	9.5%
Finance costs	5	(432,681)	(301,358)	(131,323)	(43.6%)
Share of profit of associated companies		787,773	708,154	79,619	11.2%
Profit before income tax	6	<u>4,616,396</u>	<u>2,681,066</u>	1,935,330	72.2%
Income tax expense	7	<u>(405,133)</u>	<u>(242,697)</u>	(162,436)	(66.9%)
Net profit after tax		<u>4,211,263</u>	<u>2,438,369</u>	1,772,894	72.7%
Other comprehensive income:					
Exchange differences on translating foreign operations, net of tax		<u>(160,420)</u>	<u>(493,844)</u>	333,424	67.5%
Total comprehensive income		<u>4,050,843</u>	<u>1,944,525</u>	2,106,318	108.3%
Net profit attributable to:					
Equity holders of the Company		3,990,087	2,425,750	1,564,337	64.5%
Non-controlling interests		<u>221,176</u>	<u>12,619</u>	208,557	1652.7%
Net profit		<u>4,211,263</u>	<u>2,438,369</u>	1,772,894	72.7%
Total comprehensive income attributable to:					
Equity holders of the Company		3,826,486	1,997,907	1,828,579	91.5%
Non-controlling interests		<u>224,357</u>	<u>(53,382)</u>	277,739	520.3%
Total comprehensive income		<u>4,050,843</u>	<u>1,944,525</u>	2,106,318	108.3%
Earnings per share of profit attributable to equity holders of the Company during the financial period					
- basic and diluted	9	<u>2.99 cents</u>	<u>1.82 cents</u>	1.17 cents	64.3%



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FULL YEAR ENDED 31 DECEMBER 2021

		Unaudited For the full year ended 31 December 2021	Audited For the full year ended 31 December 2020	Variance Favourable/(Unfavourable)	
	Note	S\$	S\$	S\$	%
Revenue	3	138,901,918	105,238,674	33,663,244	32.0%
Cost of sales		<u>(104,789,913)</u>	<u>(78,732,036)</u>	(26,057,877)	(33.1%)
Gross profit		34,112,005	26,506,638	7,605,367	28.7%
Other income	4	1,125,642	1,939,416	(813,774)	(42.0%)
Distribution costs		(17,580,631)	(14,917,984)	(2,662,647)	(17.8%)
Administrative expenses		(6,303,894)	(5,674,365)	(629,529)	(11.1%)
Other operating expenses		(2,978,226)	(2,783,285)	(194,941)	(7.0%)
Finance costs	5	(804,105)	(726,344)	(77,761)	(10.7%)
Share of profit of associated companies		1,614,931	1,593,846	21,085	1.3%
Profit before income tax	6	<u>9,185,722</u>	<u>5,937,922</u>	3,247,800	54.7%
Income tax expense	7	<u>(1,195,659)</u>	<u>(680,099)</u>	(515,560)	(75.8%)
Net profit after tax		<u>7,990,063</u>	<u>5,257,823</u>	2,732,240	52.0%
Other comprehensive income:					
Exchange differences on translating foreign operations, net of tax		<u>(489,785)</u>	<u>(340,317)</u>	(149,468)	(43.9%)
Total comprehensive income		<u>7,500,278</u>	<u>4,917,506</u>	2,582,772	52.5%
Net profit attributable to:					
Equity holders of the Company		7,761,046	5,125,689	2,635,357	51.4%
Non-controlling interests		<u>229,017</u>	<u>132,134</u>	96,883	73.3%
Net profit		<u>7,990,063</u>	<u>5,257,823</u>	2,732,240	52.0%
Total comprehensive income attributable to:					
Equity holders of the Company		7,226,733	4,794,227	2,432,506	50.7%
Non-controlling interests		<u>273,545</u>	<u>123,279</u>	150,266	121.9%
Total comprehensive income		<u>7,500,278</u>	<u>4,917,506</u>	2,582,772	52.5%
Earnings per share of profit attributable to equity holders of the Company during the financial year					
- basic and diluted	9	<u>5.82 cents</u>	<u>3.85 cents</u>	1.97 cents	51.2%

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31 December 2021 S\$	31 December 2020 S\$	31 December 2021 S\$	31 December 2020 S\$
ASSETS					
Non-current assets					
Property, plant and equipment	11	15,222,238	12,651,021	1,087,803	1,291,700
Right-of-use assets	12	2,798,547	2,689,043	1,040,916	1,102,035
Investment property	13	68,789	72,921	-	-
Investments in subsidiaries		-	-	6,023,472	5,571,772
Investments in associated companies		7,973,809	7,613,201	2,798,756	2,798,756
Transferable club memberships		26,662	27,001	4,001	4,001
Other receivables		-	-	1,392,587	1,824,630
Deferred tax assets		633,668	561,303	-	-
		<u>26,723,713</u>	<u>23,614,490</u>	<u>12,347,535</u>	<u>12,592,894</u>
Current assets					
Inventories	14	36,452,737	24,374,512	19,915,170	10,698,800
Trade and other receivables	15	31,138,575	24,235,577	20,864,565	16,252,221
Financial assets at fair value through profit or loss	16	564,314	354,338	550,000	350,000
Other current assets		4,515,346	2,516,114	1,659,486	486,181
Cash and bank balances		11,531,588	16,216,839	1,703,083	2,042,637
		<u>84,202,560</u>	<u>67,697,380</u>	<u>44,692,304</u>	<u>29,829,839</u>
Total assets		<u>110,926,273</u>	<u>91,311,870</u>	<u>57,039,839</u>	<u>42,422,733</u>
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	17	15,892,028	15,892,028	15,892,028	15,892,028
Other reserves		(4,717,992)	(4,183,679)	-	-
Retained earnings		46,084,286	40,722,640	7,836,034	6,353,439
		<u>57,258,322</u>	<u>52,430,989</u>	<u>23,728,062</u>	<u>22,245,467</u>
Non-controlling interests		3,129,697	2,856,152	-	-
Total equity		<u>60,388,019</u>	<u>55,287,141</u>	<u>23,728,062</u>	<u>22,245,467</u>
Non-current liabilities					
Borrowings	18	1,416,667	2,555,154	1,416,667	1,875,000
Financial liabilities - lease liabilities		2,578,530	2,562,632	1,086,409	1,128,956
		<u>3,995,197</u>	<u>5,117,786</u>	<u>2,503,076</u>	<u>3,003,956</u>
Current liabilities					
Current income tax liabilities		610,423	203,350	361,000	131,764
Trade and other payables	19	18,006,212	13,532,216	10,707,247	6,478,194
Borrowings	18	27,536,109	16,790,215	19,717,910	10,537,042
Financial liabilities - lease liabilities		355,321	214,651	14,306	13,958
Financial liabilities at fair value through profit or loss	20	34,992	166,511	8,238	12,352
		<u>46,543,057</u>	<u>30,906,943</u>	<u>30,808,701</u>	<u>17,173,310</u>
Total liabilities		<u>50,538,254</u>	<u>36,024,729</u>	<u>33,311,777</u>	<u>20,177,266</u>
Total equity and liabilities		<u>110,926,273</u>	<u>91,311,870</u>	<u>57,039,839</u>	<u>42,422,733</u>

STATEMENT OF CHANGES IN EQUITY FOR THE FULL YEAR ENDED 31 DECEMBER 2021

		← Attributable to equity holders of the Company →					
<u>The Group</u>	Note	Total equity S\$	Parent Sub-total S\$	Share capital S\$	Other reserves S\$	Retained earnings S\$	Non-controlling interests S\$
Current year :							
Opening balance at 1 January 2021		55,287,141	52,430,989	15,892,028	(4,183,679)	40,722,640	2,856,152
Total comprehensive income for the reporting year		7,500,278	7,226,733	-	(534,313)	7,761,046	273,545
Final dividend relating to 2020 paid	8	(1,333,000)	(1,333,000)	-	-	(1,333,000)	-
Interim dividend relating to 2021 paid	8	(1,066,400)	(1,066,400)	-	-	(1,066,400)	-
Closing balance at 31 December 2021		60,388,019	57,258,322	15,892,028	(4,717,992)	46,084,286	3,129,697
Previous year :							
Opening balance at 1 January 2020		52,445,989	49,636,262	15,892,028	(3,852,217)	37,596,451	2,809,727
Total comprehensive income for the reporting year		4,917,506	4,794,227	-	(331,462)	5,125,689	123,279
Final dividend relating to 2019 paid	8	(1,333,000)	(1,333,000)	-	-	(1,333,000)	-
Interim dividend relating to 2020 paid	8	(666,500)	(666,500)	-	-	(666,500)	-
Final dividends paid to non-controlling interests		(76,854)	-	-	-	-	(76,854)
Closing balance at 31 December 2020		55,287,141	52,430,989	15,892,028	(4,183,679)	40,722,640	2,856,152



STATEMENT OF CHANGES IN EQUITY FOR THE FULL YEAR ENDED 31 DECEMBER 2021

<u>The Company</u>	Note	Total equity S\$	Share capital S\$	Retained earnings S\$
Current year :				
Opening balance at 1 January 2021		22,245,467	15,892,028	6,353,439
Total comprehensive income for the reporting year		3,881,995	-	3,881,995
Final dividend relating to 2020 paid	8	(1,333,000)	-	(1,333,000)
Interim dividend relating to 2021 paid	8	(1,066,400)	-	(1,066,400)
Closing balance at 31 December 2021		<u>23,728,062</u>	<u>15,892,028</u>	<u>7,836,034</u>
Previous year :				
Opening balance at 1 January 2020		22,921,996	15,892,028	7,029,968
Total comprehensive income for the reporting year		1,322,971	-	1,322,971
Final dividend relating to 2019 paid	8	(1,333,000)	-	(1,333,000)
Interim dividend relating to 2020 paid	8	(666,500)	-	(666,500)
Closing balance at 31 December 2020		<u>22,245,467</u>	<u>15,892,028</u>	<u>6,353,439</u>



CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE FULL YEAR ENDED 31 DECEMBER 2021

	Unaudited For the full year ended 31 December 2021 S\$	Audited For the full year ended 31 December 2020 S\$
Cash flows from operating activities		
Net profit	7,990,063	5,257,823
Adjustments for:		
Depreciation of property, plant and equipment and investment property	765,999	887,210
Depreciation of right-of-use assets	447,782	354,882
Dividend income	(4,851)	(4,780)
Gain on disposal of property, plant and equipment	(14,613)	(20,490)
Share of profit of associated companies	(1,614,931)	(1,593,846)
Income tax expense	1,195,659	680,099
Interest income from banks	(88,630)	(191,582)
Finance costs	804,105	726,344
Net changes in fair value of financial assets at fair value through profit or loss	(214,486)	(131,791)
Changes in fair value of financial liabilities at fair value through profit or loss	<u>35,397</u>	<u>163,593</u>
Operating cash flows before working capital changes	9,301,494	6,127,462
Change in operating assets and liabilities :		
Trade and other receivables and other current assets	(8,738,098)	(1,244,948)
Inventories	(11,945,984)	1,062,116
Trade and other payables	4,422,028	800,061
Foreign exchange adjustment differences	<u>(67,183)</u>	<u>(54,547)</u>
Cash (used in)/generated from operations	(7,027,743)	6,690,144
Income tax paid	(876,498)	(760,527)
Interest received	<u>92,223</u>	<u>199,951</u>
Net cash (used in)/from operating activities	<u>(7,812,018)</u>	<u>6,129,568</u>
Cash flows from investing activities		
Dividends received from associated company and listed equity	618,594	447,785
Purchase of property, plant and equipment	(3,475,572)	(2,822,339)
Proceeds from sale of property, plant and equipment	<u>14,899</u>	<u>21,323</u>
Net cash used in investing activities	<u>(2,842,079)</u>	<u>(2,353,231)</u>
Cash flows from financing activities		
Dividends paid	(2,399,400)	(1,999,500)
Dividends paid by subsidiary to non-controlling shareholders	-	(76,854)
(Repayments of)/proceeds from long term bank loans	(933,701)	1,554,332
Proceeds from bills payables	6,686,405	1,395,292
Proceeds from/(repayment of) short term bank loans	3,636,335	(2,546,109)
Lease liabilities paid	(548,591)	(456,951)
Interest paid	<u>(635,567)</u>	<u>(643,761)</u>
Net cash from/(used in) financing activities	<u>5,805,481</u>	<u>(2,773,551)</u>
Net (decrease)/increase in cash and cash equivalents	(4,848,616)	1,002,786
Cash and cash equivalents, statement of cash flow, beginning balance	15,913,792	14,880,406
Effects of exchange rate changes on cash and cash equivalents	42,445	30,600
Cash and cash equivalents, statement of cash flow, ending balance	<u>11,107,621</u>	<u>15,913,792</u>
Cash and cash equivalents comprised the followings:		
Cash and bank balances	11,531,588	16,216,839
Less: bank overdraft	<u>(423,967)</u>	<u>(303,047)</u>
	<u>11,107,621</u>	<u>15,913,792</u>

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1.1 General

Megachem Limited (the “Company”) is incorporated in Singapore with limited liability. The condensed interim financial statements as at and for the half year and full year ended 31 December 2021 are presented in Singapore dollars and they cover the Company (referred to as “parent”) and its subsidiaries and associated companies (collectively, the “Group”).

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

1.2 Statement of compliance with financial reporting standards

The condensed interim financial statements for the half year and full year ended 31 December 2021 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 2020.

Except as disclosed in Note 1.5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting periods as those of the audited financial statements for the financial year ended 31 December 2020.

1.3 Accounting convention

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

1.4 Basis of preparation of the condensed interim financial statements

The preparation of the condensed interim financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 31 December 2021 and the reported amounts of revenues and expenses for the half year and full year ended 31 December 2021. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.5 Changes in accounting

On 1 January 2021, the Group adopted the new and revised SFRS(I) and the related Interpretations to SFRS(I)s (“SFRS(I) INT”) that are relevant to its operations and mandatory for application from that date. Changes to the Group’s accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective SFRS(I) and SFRS(I) INT.

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

2.1 Critical judgements, assumptions and estimation uncertainties

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

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

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

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

2.2 Fair value measurement

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

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

3. Revenue

	Group			
	unaudited half year ended		full year ended	
	31 December		31 December (*)	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	S\$	S\$	S\$	S\$
Sale of goods	70,623,726	51,518,886	134,529,067	102,145,258
Rendering of services	2,368,835	1,702,344	4,372,851	3,093,416
Total sales	<u>72,992,561</u>	<u>53,221,230</u>	<u>138,901,918</u>	<u>105,238,674</u>

(i) Disaggregation of revenue

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

	Sales of goods		Rendering of services	
	full year ended		full year ended	
	31 December (*)		31 December (*)	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	S\$	S\$	S\$	S\$
Group				
Primary geographical markets				
Singapore	48,139,630	38,466,177	4,372,851	3,093,416
Rest of geographical areas	86,389,437	63,679,081	–	–
Total sales	<u>134,529,067</u>	<u>102,145,258</u>	<u>4,372,851</u>	<u>3,093,416</u>

(ii) Seasonality of operations

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

Note :

(*) full year ended 31 December 2021 is unaudited; full year ended 31 December 2020 is audited.

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

	Group			
	unaudited half year ended		full year ended	
	31 December		31 December (*)	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	S\$	S\$	S\$	S\$
Changes in fair value of financial assets at fair value through profit or loss – listed equity securities	–	100,000	200,000	127,500
Changes in fair value of financial assets at fair value through profit or loss — forward foreign exchange contract	14,486	4,291	14,486	4,291
Compensation claims	128,927	–	128,927	–
Dividend income from quoted corporations	4,851	–	4,851	4,780
Trade receivables recovered	169,861	264,742	337,677	364,448
Gain on disposal of property, plant and equipment	541	3,099	14,613	20,490
Government grant – others	20,537	94,093	53,465	260,421
Government grant – Jobs support scheme	56,177	428,267	266,637	897,267
Interest income – banks	34,696	95,254	88,630	191,582
Net foreign exchange gain	21,414	–	–	52,128
Rental income	8,151	8,230	16,356	16,509
Total other income	<u>459,641</u>	<u>997,976</u>	<u>1,125,642</u>	<u>1,939,416</u>

5. Finance costs

	Group			
	unaudited half year ended		full year ended	
	31 December		31 December (*)	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	S\$	S\$	S\$	S\$
Interest expense				
- Bills payable to banks	163,366	98,253	358,676	260,860
- Bank loans	155,715	121,327	237,856	313,380
- Bank overdraft	40,339	10,294	59,928	10,294
- Lease for right-of-use assets	73,261	71,484	147,645	141,810
Total finance costs	<u>432,681</u>	<u>301,358</u>	<u>804,105</u>	<u>726,344</u>

Note :

(*) full year ended 31 December 2021 is unaudited; full year ended 31 December 2020 is audited.

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

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

	Group			
	unaudited half year ended		full year ended	
	31 December		31 December (*)	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	S\$	S\$	S\$	S\$
Cost of inventories	53,453,921	38,392,095	101,261,277	75,448,137
Changes in fair value of financial liabilities at fair value through profit or loss – forward foreign exchange contract	35,397	163,595	35,397	163,595
Depreciation of investment property	1,528	1,541	3,065	3,093
Depreciation of property, plant and equipment	364,180	444,052	762,934	884,117
Depreciation of right-of-use assets	238,783	170,067	447,782	354,882
Employee compensation	10,004,659	7,684,905	18,747,587	15,305,977
Net foreign exchange loss	–	77,688	160,957	–
Impairment of trade receivables	19,320	18,924	100,001	73,000
Inventories written (back)/down	(24,944)	450,408	137,056	891,216
Warehouse storage charges	1,319,886	1,305,275	2,604,070	2,578,523

7. Income tax expense

	Group			
	unaudited half year ended		full year ended	
	31 December		31 December (*)	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	S\$	S\$	S\$	S\$
Current period:				
Current tax expense	587,188	394,306	1,336,953	863,894
Deferred tax expense/(benefit)	19,972	(114,397)	(28,585)	(102,581)
Sub-total	607,160	279,909	1,308,368	761,313
Prior periods:				
Over adjustments for current tax expense	(83,152)	(24,967)	(68,929)	(64,798)
Over adjustments for deferred tax expense	(118,875)	(12,245)	(43,780)	(16,416)
Sub-total	(202,027)	(37,212)	(112,709)	(81,214)
Total income tax expense	405,133	242,697	1,195,659	680,099

Note :

(*) full year ended 31 December 2021 is unaudited; full year ended 31 December 2020 is audited.



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

8. Dividends

	Group and Company			
	unaudited half year ended		full year ended	
	31 December		31 December 2021 (*)	
	2021	2020	2021	2020*
	S\$	S\$	S\$	S\$
Final tax exempt dividend paid of 1.0 cents (2020: tax exempt of 1.0 cents) per share in respect of previous reporting year	–	–	1,333,000	1,333,000
Interim tax exempt dividend paid of 0.8 cents (2020: tax exempt of 0.5 cents) per share in respect of current reporting year	1,066,400	666,500	1,066,400	666,500
Total dividends paid	<u>1,066,400</u>	<u>666,500</u>	<u>2,399,400</u>	<u>1,999,500</u>

9. Earnings per ordinary share (in cents)

	Group			
	unaudited half year ended		full year ended	
	31 December		31 December (*)	
	2021	2020	2021	2020
a) Based on weighted average number of ordinary shares in issue	2.99	1.82	5.82	3.85
b) On a fully diluted basis	2.99	1.82	5.82	3.85
Weighted average number of ordinary shares in issue for earnings per share	<u>133,300,000</u>	<u>133,300,000</u>	<u>133,300,000</u>	<u>133,300,000</u>

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

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Net asset value per ordinary share based on issued share capital (cents)	42.95	39.33	17.80	16.69
No of ordinary shares used in calculation	133,300,000	133,300,000	133,300,000	133,300,000

Note :

(*) full year ended 31 December 2021 is unaudited; full year ended 31 December 2020 is audited.



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

11. Property, plant and equipment

During the second half year ended 31 December 2021, the Group acquired property, plant and equipment with an aggregate cost of S\$715,611 (half year ended 31 December 2020: S\$2,751,182), of which S\$449,545 (half year ended 31 December 2020: S\$2,445,724) relates to construction in progress.

During the full year ended 31 December 2021, the Group acquired property, plant and equipment with an aggregate cost of S\$3,423,480 (full year ended 31 December 2020: S\$3,245,566), of which S\$2,989,235 (full year ended 31 December 2020: S\$2,803,509) relates to construction in progress.

Capital commitment of the Group as at 31 December 2021 amounted to S\$742,088 (31 December 2020: S\$3,110,860).

12. Right-of-use assets

During the full year ended 31 December 2021, the Group acquired right-of-use assets with an aggregate cost of S\$580,765 (full year ended 31 December 2020: S\$235,739).

13. Investment property

	Group	
	Unaudited 31 December <u>2021</u> S\$	Audited 31 December <u>2020</u> S\$
<u>At cost:</u>		
Balance at beginning of reporting period	138,254	138,005
Currency translation differences	(2,036)	249
Balance at end of reporting period	<u>136,218</u>	<u>138,254</u>
<u>Accumulated depreciation:</u>		
Balance at beginning of reporting period	65,333	62,119
Depreciation charge	3,065	3,093
Currency translation differences	(969)	121
Balance at end of reporting period	<u>67,429</u>	<u>65,333</u>
<u>Net book value:</u>		
Balance at beginning of reporting period	<u>72,921</u>	<u>75,886</u>
Balance at end of reporting period	<u>68,789</u>	<u>72,921</u>
<u>Fair value:</u>		
Fair value at end of reporting period	<u>312,399</u>	<u>317,069</u>

The fair value (Level 2) was measured based on comparison with market evidence of recent transaction prices for similar properties. The significant observable inputs used in measurement is price per square foot and the weighted average range is S\$221 – S\$227.



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

14. Inventories

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31 December	31 December	31 December	31 December
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	S\$	S\$	S\$	S\$
Finished/trading goods	<u>36,452,737</u>	<u>24,374,512</u>	<u>19,915,170</u>	<u>10,698,800</u>

Inventories are stated after allowance. The allowance as at 31 December 2021 amounted to S\$4,001,111 (31 December 2020: S\$4,058,974) and S\$1,071,000 (31 December 2020: S\$1,351,000) for the Group and the Company respectively.

15. Trade and other receivables

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31 December	31 December	31 December	31 December
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	S\$	S\$	S\$	S\$
<i>Current :</i>				
<u>Trade receivables:</u>				
Non-related parties	30,939,251	23,975,113	8,738,614	7,268,617
Subsidiaries	–	–	8,534,743	6,788,260
Associated company	160,059	35,306	155,757	35,306
Related party	–	87,903	–	–
Less: allowance for impairment – non-related parties	(522,572)	(479,178)	(36,805)	(35,027)
Less: allowance for impairment – subsidiaries	–	–	(1,585,000)	(1,925,000)
Net trade receivables – subtotal	<u>30,576,738</u>	<u>23,619,144</u>	<u>15,807,309</u>	<u>12,132,156</u>
<u>Other receivables:</u>				
Loan to subsidiaries	–	–	4,858,226	4,522,716
Subsidiaries	–	–	1,902,285	1,711,750
Associated company	–	–	–	–
Non-related parties	561,837	616,433	54,745	100,599
Less: allowance for impairment - subsidiaries	–	–	(1,758,000)	(2,215,000)
Net other receivables – subtotal	<u>561,837</u>	<u>616,433</u>	<u>5,057,256</u>	<u>4,120,065</u>
Total net trade and other receivables - current	<u>31,138,575</u>	<u>24,235,577</u>	<u>20,864,565</u>	<u>16,252,221</u>
<i>Non-current:</i>				
<u>Other receivables:</u>				
Loan to subsidiaries	–	–	1,589,587	1,824,630
Less: allowance for impairment	–	–	(197,000)	–
Total other receivables – non-current	<u>–</u>	<u>–</u>	<u>1,392,587</u>	<u>1,824,630</u>
Total trade and other receivables	<u>31,138,575</u>	<u>24,235,577</u>	<u>22,257,152</u>	<u>18,076,851</u>

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

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

16. Financial assets at fair value through profit and loss

	Group		Company	
	Unaudited 31 December 2021 S\$	Audited 31 December 2020 S\$	Unaudited 31 December 2021 S\$	Audited 31 December 2020 S\$
At fair value:				
Listed equity securities – Singapore (Level 1)	550,000	350,000	550,000	350,000
Forward foreign exchange contracts (Level 2)	14,314	4,338	–	–
Total financial assets at fair value through profit or loss	<u>564,314</u>	<u>354,338</u>	<u>550,000</u>	<u>350,000</u>

17. Share capital

	Group and Company	
	No of shares issued	Share capital \$
Ordinary shares of no par value:		
Balance at 31 December 2020, 30 June 2021 and 31 December 2021	<u>133,300,000</u>	<u>15,892,028</u>

There have been no changes in the Company's issued share capital since the end of the previous period reported on being 30 June 2021.

There were no unissued shares in the capital of the Company reserved for the exercise of any option nor were there any treasury shares as at the end of the reporting periods ended 31 December 2021 and 31 December 2020.

There were no outstanding convertibles and subsidiary holdings as at the end of the reporting periods ended 31 December 2021 and 31 December 2020.

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

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

	Group		Company	
	Unaudited 31 December 2021 S\$	Audited 31 December 2020 S\$	Unaudited 31 December 2021 S\$	Audited 31 December 2020 S\$
<i>Current :</i>				
Bank overdraft (unsecured)	423,967	303,047	–	–
Bill payables (unsecured)	15,372,360	8,527,988	11,689,505	5,327,551
Short term bank loans (unsecured)	8,428,405	6,186,891	7,528,405	5,084,491
Long term bank loans (unsecured)	500,000	125,000	500,000	125,000
Unsecured sub-total	24,724,732	15,142,926	19,717,910	10,537,042
Bill payables (secured)	471,332	528,651	–	–
Short term bank loans (secured)	2,340,045	937,801	–	–
Long term bank loans (secured)	–	180,837	–	–
Secured sub-total	2,811,377	1,647,289	–	–
Current, total	27,536,109	16,790,215	19,717,910	10,537,042
<i>Non-current:</i>				
Long term bank loans (unsecured)	1,416,667	1,875,000	1,416,667	1,875,000
Long term bank loans (secured)	–	680,154	–	–
Non-current, total	1,416,667	2,555,154	1,416,667	1,875,000
Total borrowings	28,952,776	19,345,369	21,134,577	12,412,042

The secured long term bank loan as at 31 December 2020 by way of mortgage over industrial land at Seri Alam Industrial Park, Sungai Kapar, Indah, Klang, Selangor was fully repaid during in reporting year ended 31 December 2021.

The secured bill payables and short term bank loans as at 31 December 2021 and 31 December 2020 are collateralized on fixed and floating charges over all the assets and undertaking of certain subsidiaries, including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future.

19. Trade and other payables

	Group		Company	
	Unaudited 31 December 2021 S\$	Audited 31 December 2020 S\$	Unaudited 31 December 2021 S\$	Audited 31 December 2020 S\$
<u>Trade payables:</u>				
Non-related parties	8,316,062	6,794,017	3,533,959	2,457,593
Associated company	–	49,439	–	1,199
Related parties	12,595	–	12,595	–
Subsidiaries	–	–	920,273	322,306
Trade payables – subtotal	8,328,657	6,843,456	4,466,827	2,781,098



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

19. Trade and other payables (cont'd)

	Group		Company	
	Unaudited 31 December 2021 S\$	Audited 31 December 2020 S\$	Unaudited 31 December 2021 S\$	Audited 31 December 2020 S\$
<u>Other payables:</u>				
Associated company	4,098	2,798	1,240	–
Subsidiaries	–	–	95,973	40,738
Loan from subsidiary	–	–	1,485,770	396,690
Advance payments from customers	405,827	204,110	3,210	–
Advance payments from subsidiary	–	–	466,281	667,072
Accrued liabilities	6,371,360	3,873,836	3,269,178	1,501,040
Deferred income	–	173,712	–	143,458
Other payables	<u>2,896,270</u>	<u>2,434,304</u>	<u>918,768</u>	<u>948,098</u>
Other payables – subtotal	<u>9,677,555</u>	<u>6,688,760</u>	<u>6,240,420</u>	<u>3,697,096</u>
Total trade and other payables	<u>18,006,212</u>	<u>13,532,216</u>	<u>10,707,247</u>	<u>6,478,194</u>

20. Financial liabilities at fair value through profit and loss

	Group		Company	
	Unaudited 31 December 2021 S\$	Audited 31 December 2020 S\$	Unaudited 31 December 2021 S\$	Audited 31 December 2020 S\$
<u>At fair value:</u>				
Forward foreign exchange contracts (Level 2)	<u>34,992</u>	<u>166,511</u>	<u>8,238</u>	<u>12,352</u>
Total financial liabilities at fair value through profit or loss	<u>34,992</u>	<u>166,511</u>	<u>8,238</u>	<u>12,352</u>

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

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

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

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

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

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

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



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

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

<u>Group</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
As at 31 December 2021	S\$'000	S\$'000	S\$'000	S\$'000
<u>Financial assets at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	14	–	14
Quoted equity shares in corporations	550	–	–	550
Total	550	14	–	564
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	35	–	35
Total	–	35	–	35
As at 31 December 2020				
<u>Financial assets at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	4	–	4
Quoted equity shares in corporations	350	–	–	350
Total	350	4	–	354
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	167	–	167
Total	–	167	–	167
As at 31 December 2021				
<u>Company</u>				
As at 31 December 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Financial assets at fair value through profit or loss:</u>				
Quoted equity shares in corporations	550	–	–	550
Total	550	–	–	550
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	8	–	8
Total	–	8	–	8
As at 31 December 2020				
<u>Financial assets at fair value through profit or loss:</u>				
Quoted equity shares in corporations	350	–	–	350
Total	350	–	–	350
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	12	–	12
Total	–	12	–	12

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

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)
22. Categories of financial assets and liabilities

	Group		Company	
	Unaudited 31 December 2021 S\$'000	Audited 31 December 2020 S\$'000	Unaudited 31 December 2021 S\$'000	Audited 31 December 2020 S\$'000
<u>Financial assets</u>				
Financial assets at amortised cost	42,670	40,452	23,960	20,119
Financial assets at FVTPL	564	354	550	350
At end of the reporting period	<u>43,234</u>	<u>40,806</u>	<u>24,510</u>	<u>20,469</u>
<u>Financial liabilities</u>				
Financial liabilities at amortised cost	49,487	35,277	32,473	19,223
Financial liabilities at FVTPL	35	167	8	12
At end of the reporting period	<u>49,522</u>	<u>35,444</u>	<u>32,481</u>	<u>19,235</u>

23. Contingent liabilities

	Company	
	Unaudited 31 December 2021 S\$'000	Audited 31 December 2020 S\$'000
Undertaking to provide continuing financial support to subsidiaries with net liabilities amounted to:		
MG Chemicals (Australia) Pty Ltd	2,725	3,032
Megachem Middle East FZE	–	567
Megachem Speciality Chemicals (I) Private Limited	–	189
Corporate guarantee provided to banks on subsidiaries' loans payable	<u>7,818</u>	<u>6,933</u>

24. Related party transactions

	Group			
	unaudited half year ended 31 December		full year ended 31 December (*)	
	2021 S\$	2020 S\$	2021 S\$	2020 S\$
<u>Associated companies</u>				
Sales of inventories	266,346	209,135	519,958	427,039
Purchases of inventories	<u>(33,082)</u>	<u>(35,363)</u>	<u>(71,683)</u>	<u>(56,836)</u>
<u>Related parties</u>				
Sales of inventories	500 ^(b)	87,634 ^(a)	500 ^(b)	87,634 ^(a)
Purchases of inventories ^(c)	<u>(312,020)</u>	<u>(6,544)</u>	<u>(334,078)</u>	<u>(55,467)</u>

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

(b) Sales to Chemical Industries (Far East) Limited, a company who has a common director with the Company.

(c) Purchases from Chori Co., Ltd, a controlling shareholder of the Company, and its related companies; and 2 other companies who have a common director with the Company.

Note :

(*) full year ended 31 December 2021 is unaudited; full year ended 31 December 2020 is audited.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (cont'd)
24. Related party transactions (cont'd)

Shareholders' mandate was obtained for interested person transactions with Chori Co., Ltd and its related corporations. There is no sales to Chori Co., Ltd and its corporation under shareholders' mandate pursuant to Rule 920 for the full year ended 31 December 2021.

The Group purchased products from Chori Co., Ltd and its related corporations amounting to S\$261,972 in the full year ended 31 December 2021 and each transaction was below S\$100,000 which fell outside the scope of Rule 920.

Name of interested person	Aggregate value of all interested person transactions during the full year ended 31 December 2021 under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the full year ended 31 December 2021 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Sales of products to Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	Nil	Nil
Purchase of products from Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	Nil	S\$261,972

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

25. Financial information by operating segments

	<u>Singapore</u> S\$'000	<u>Malaysia</u> S\$'000	<u>Indonesia</u> S\$'000	<u>United Kingdom</u> S\$'000	<u>China</u> S\$'000	<u>Vietnam</u> S\$'000	<u>Others</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
For the reporting year ended 31 December 2021									
Sales									
Total sales by segment	62,674	14,436	8,719	24,802	15,877	3,724	25,401	-	155,633
Inter-segment sales	(10,162)	(538)	(100)	(2,512)	(3,179)	(74)	(166)	-	(16,731)
	<u>52,512</u>	<u>13,898</u>	<u>8,619</u>	<u>22,290</u>	<u>12,698</u>	<u>3,650</u>	<u>25,235</u>	<u>-</u>	<u>138,902</u>
Segment result									
	2,650	2,061	441	729	506	411	1,488	-	8,286
Interest income - bank								89	89
Finance costs								(804)	(804)
Share of profit of associated companies								1,615	1,615
Profit before income tax								900	9,186
Income tax expense								(1,196)	(1,196)
Net profit	<u>2,650</u>	<u>2,061</u>	<u>441</u>	<u>729</u>	<u>506</u>	<u>411</u>	<u>1,488</u>	<u>(296)</u>	<u>7,990</u>
Other segment items									
Capital expenditure	195	3,156	54	-	1	-	17	-	3,423
Depreciation	651	114	79	97	83	40	150	-	1,214
Segment assets									
	42,892	17,381	6,184	9,568	5,291	3,771	15,892	-	100,979
Associated companies								7,974	7,974
Deferred tax assets								634	634
Interest earning cash balances								1,339	1,339
Consolidated total assets	<u>42,892</u>	<u>17,381</u>	<u>6,184</u>	<u>9,568</u>	<u>5,291</u>	<u>3,771</u>	<u>15,892</u>	<u>9,947</u>	<u>110,926</u>
Segment liabilities									
	(11,172)	(549)	(906)	(4,021)	(1,250)	(221)	(2,856)	-	(20,975)
Borrowings								(28,953)	(28,953)
Current income tax liabilities								(610)	(610)
Consolidated total liabilities	<u>(11,172)</u>	<u>(549)</u>	<u>(906)</u>	<u>(4,021)</u>	<u>(1,250)</u>	<u>(221)</u>	<u>(2,856)</u>	<u>(29,563)</u>	<u>(50,538)</u>

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

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

	<u>Singapore</u> S\$'000	<u>Malaysia</u> S\$'000	<u>Indonesia</u> S\$'000	<u>United Kingdom</u> S\$'000	<u>China</u> S\$'000	<u>Vietnam</u> S\$'000	<u>Others</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
For the reporting year ended 31 December 2020									
Sales									
Total sales by segment	46,899	12,373	8,188	15,340	12,628	5,363	15,575	-	116,366
Inter-segment sales	(5,340)	(420)	(67)	(1,984)	(3,193)	(54)	(69)	-	(11,127)
	<u>41,559</u>	<u>11,953</u>	<u>8,121</u>	<u>13,356</u>	<u>9,435</u>	<u>5,309</u>	<u>15,506</u>	<u>-</u>	<u>105,239</u>
Segment result									
Interest income - bank	2,094	1,080	108	201	321	609	466	-	4,879
Finance costs								191	191
Share of profit of associated companies								(726)	(726)
Profit before income tax								1,594	1,594
Income tax expense								1,059	5,938
								(680)	(680)
Net profit	<u>2,094</u>	<u>1,080</u>	<u>108</u>	<u>201</u>	<u>321</u>	<u>609</u>	<u>466</u>	<u>379</u>	<u>5,258</u>
Other segment items									
Capital expenditure	301	2,825	15	17	3	2	83	-	3,246
Depreciation	663	158	115	100	87	43	76	-	1,242
Segment assets									
Associated companies	31,912	14,606	5,482	6,418	5,308	3,364	10,506	-	77,596
Deferred tax assets								7,613	7,613
Interest earning cash balances								561	561
								5,542	5,542
Consolidated total assets	<u>31,912</u>	<u>14,606</u>	<u>5,482</u>	<u>6,418</u>	<u>5,308</u>	<u>3,364</u>	<u>10,506</u>	<u>13,716</u>	<u>91,312</u>
Segment liabilities									
Borrowings	(8,367)	(1,153)	(815)	(3,812)	(809)	(347)	(1,173)	-	(16,476)
Current income tax liabilities								(19,345)	(19,345)
Deferred income tax liabilities								(203)	(203)
								-	-
Consolidated total liabilities	<u>(8,367)</u>	<u>(1,153)</u>	<u>(815)</u>	<u>(3,812)</u>	<u>(809)</u>	<u>(347)</u>	<u>(1,173)</u>	<u>(19,548)</u>	<u>(36,024)</u>



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

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

	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
For the reporting year ended				
31 December 2021				
Sales				
Total sales by segment	134,178	5,528	-	139,706
Inter-segment sales	(268)	(536)	-	(804)
	<u>133,910</u>	<u>4,992</u>	<u>-</u>	<u>138,902</u>
Segment result				
Interest income - bank	8,051	235	-	8,286
Finance costs			89	89
Share of profit of associated companies			(804)	(804)
Profit before income tax			<u>1,615</u>	<u>1,615</u>
Income tax expense			900	9,186
Net profit	<u>8,051</u>	<u>235</u>	<u>(1,196)</u>	<u>7,990</u>
Other segment items				
Capital expenditure	3,349	74	-	3,423
Depreciation	921	293	-	1,214
	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets				
Associated companies	93,815	7,164	-	100,979
Deferred tax assets			7,974	7,974
Interest earning cash balances			634	634
Consolidated total assets	<u>93,815</u>	<u>7,164</u>	<u>1,339</u>	<u>1,339</u>
Consolidated total assets	<u>93,815</u>	<u>7,164</u>	<u>9,947</u>	<u>110,926</u>
Segment liabilities				
Borrowings	(18,941)	(2,034)	-	(20,975)
Current income tax liabilities			(28,953)	(28,953)
Consolidated total liabilities	<u>(18,941)</u>	<u>(2,034)</u>	<u>(610)</u>	<u>(610)</u>
Consolidated total liabilities	<u>(18,941)</u>	<u>(2,034)</u>	<u>(29,563)</u>	<u>(50,538)</u>



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

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

	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
For the reporting year ended				
31 December 2020				
Sales				
Total sales by segment	101,962	3,927	-	105,889
Inter-segment sales	(194)	(456)	-	(650)
	<u>101,768</u>	<u>3,471</u>	<u>-</u>	<u>105,239</u>
Segment result				
Interest income - bank			191	191
Finance costs			(726)	(726)
Share of profit of associated companies			1,594	1,594
Profit before income tax	4,366	513	1,059	5,938
Income tax expense			(680)	(680)
Net profit	<u>4,366</u>	<u>513</u>	<u>379</u>	<u>5,258</u>
Other segment items				
Capital expenditure	3,221	25	-	3,246
Depreciation	943	299	-	1,242
	<u>3,221</u>	<u>25</u>	<u>-</u>	<u>3,246</u>
	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets	70,387	7,209	-	77,596
Associated companies			7,613	7,613
Deferred tax assets			561	561
Interest earning cash balances			5,542	5,542
Consolidated total assets	<u>70,387</u>	<u>7,209</u>	<u>13,716</u>	<u>91,312</u>
Segment liabilities	(14,684)	(1,792)	-	(16,476)
Borrowings			(19,345)	(19,345)
Current income tax liabilities			(203)	(203)
Consolidated total liabilities	<u>(14,684)</u>	<u>(1,792)</u>	<u>(19,548)</u>	<u>(36,024)</u>



OTHER INFORMATION

AUDIT

The statements of financial position as at 31 December 2021 and the related consolidated statement of profit or loss and consolidated statement of comprehensive income for the half year and financial year then ended, statements of changes in equity and consolidated statement of cash flows for the financial year then ended and the selected explanatory notes (the “Condensed Interim Financial Statements”) have not been audited or reviewed by the Company’s auditors.

REVIEW OF PERFORMANCE

Key Financial Highlights

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

Profitability Highlights	H2 2021	H1 2021	Variance H2 2021 vs H1 2021		H2 2020	Variance H2 2021 vs H2 2020	
			Fav/(Unfav)	%		Fav/(Unfav)	%
Sales (S\$mil)	73.0	65.9	7.1	10.7%	53.2	19.8	37.1%
Gross profit (S\$mil)	17.7	16.4	1.3	8.0%	13.3	4.4	33.1%
Gross profit margin	24.3%	24.9%	(0.6% pts)	na	25.0%	(0.7% pts)	na
Total operating expenses and finance costs (S\$mil)	14.3	13.4	(0.9)	(7.2%)	12.3	(2.0)	(16.3%)
Other income (S\$'000)	460	730	(270)	(37.1%)	998	(538)	(53.9%)
Share of profit of associated companies (S\$'000)	788	827	(39)	(4.8%)	708	80	11.2%
Profit before income tax (S\$mil)	4.6	4.6	-	1.0%	2.7	1.9	72.2%
Net profit (S\$mil)	4.2	3.8	0.4	11.4%	2.4	1.8	72.7%
Net profit margin	5.8%	5.7%	0.1% pts	na	4.6%	1.2% pts	na
EBITDA (S\$mil)	5.6	5.5	0.1	2.2%	3.5	2.1	60.4%
EBITDA margin	7.7%	8.3%	(0.6% pts)	na	6.6%	1.1% pts	na
Earnings per share attributable to the equity holders of the Company (cents)	2.99	2.83	0.16	5.7%	1.82	1.17	64.3%
Annualised return on equity (ROE)	13.9%	13.8%	0.1% pts	na	9.3%	4.6% pts	na

na : not applicable

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

Profitability Highlights	FY 2021	FY 2020	Variance FY 2021 vs FY 2020	
			Fav/(Unfav)	%
Sales (S\$'mil)	138.9	105.2	33.7	32.0%
Gross profit (S\$'mil)	34.1	26.5	7.6	28.7%
Gross profit margin	24.6%	25.2%	(0.6%)	na
Total operating expenses and finance cost (S\$'mil)	27.7	24.1	(3.6)	(14.8%)
Other income (S\$'000)	1,126	1,939	(813)	(42.0%)
Share of profit of associated companies (S\$'000)	1,615	1,594	21	1.3%
Profit before income tax (S\$'mil)	9.2	5.9	3.2	54.7%
Net profit after tax (S\$'mil)	8.0	5.3	2.7	52.0%
Net profit after tax margin	5.8%	5.0%	0.8% pts	na
EBITDA (S\$'mil)	11.1	7.7	3.4	44.1%
EBITDA margin	8.0%	7.3%	0.7% pts	na
Earnings per share attributable to the equity holders of the Company (cents)	5.82	3.85	1.97	51.2%
Annualised return on equity (ROE)	13.6%	9.8%	3.8% pts	na

na : not applicable

Profitability Review
(a) Sales

	H2 2021 S\$'000	H1 2021 S\$'000	Variance Fav/(Unfav) H2 2021 vs H1 2021		H2 2020 S\$'000	Variance Fav/(Unfav) H2 2021 vs H2 2020	
			S\$'000	%		S\$'000	%
ASEAN	37,274	39,122	(1,848)	(4.7)	32,351	4,923	15.2
Europe	10,275	8,292	1,983	23.9	4,534	5,741	126.6
North Asia	9,281	7,670	1,611	21.0	7,107	2,174	30.6
Australia	6,538	4,355	2,183	50.1	3,072	3,466	112.8
Middle East	5,383	3,665	1,718	46.9	3,030	2,353	77.7
South Asia	3,708	2,660	1,048	39.4	2,960	748	25.3
America	486	131	355	271.0	140	346	247.1
Africa	48	14	34	242.9	27	21	77.8
Total	72,993	65,909	7,084	10.7	53,221	19,772	37.1

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(a) Sales (cont'd)

	FY 2021		FY 2020		Variance	
	S\$'000	%	S\$'000	%	Fav/(Unfav)	%
ASEAN	76,396	55.0	65,513	62.3	10,883	16.6
Europe	18,567	13.4	9,578	9.1	8,989	93.9
North Asia	16,951	12.2	12,762	12.1	4,189	32.8
Australia	10,893	7.8	5,381	5.1	5,512	102.4
Middle East	9,048	6.5	6,486	6.2	2,562	39.5
South Asia	6,368	4.6	4,953	4.7	1,415	28.6
America	617	0.5	527	0.5	90	17.1
Africa	62	-	39	-	23	59.0
Total	138,902	100.0	105,239	100.0	33,663	32.0

Geographic Segment Sales Analysis

H2 2021 vs H1 2021

As demand for chemicals continue to hold up and prices remain robust in the second half of 2021 ("H2 2021"), sales in H2 2021 outperformed first half of 2021 ("H1 2021"), setting a new record high. Most of our markets recorded higher sales over H1 2021 except for ASEAN. The biggest growth came from Australia market which recorded an increase in sales of S\$2.2 million or 50.1% as compared to H1 2021. Other markets such as Europe, Middle East and North Asia recorded higher sales in the range of S\$1.6 million to S\$2.0 million while sales to South Asia and America increased by a smaller magnitude of S\$1.0 million and S\$0.4 million respectively.

Sales to ASEAN normalised to S\$37.3 million in H2 2021 or a marginal decrease of S\$1.8 million or 4.7% after a surge in recovery in H1 2021.

This resulted in an increase in total sales of S\$7.1 million or 10.7% to S\$73.0 million in H2 2021 vis-à-vis sales of S\$65.9 million in H1 2021.

H2 2021 vs H2 2020

As business condition improved in 2021 as compared to 2020, total sales in H2 2021 increased by S\$19.8 million or 37.1% vis-à-vis second half of 2020 ("H2 2020"). Rebound was the strongest in Europe market followed by ASEAN, Australia, Middle East and North Asia markets. Sales to Europe and Australia markets more than doubled in H2 2021 over H2 2020, increasing by S\$5.7 million and S\$3.5 million respectively.

Other markers such as ASEAN recorded growth of S\$4.9 million or 15.2% while North Asia and Middle East recorded higher sales of S\$2.2 million or 30.6% and S\$2.4 million or 77.7% respectively. South Asia and America markets recorded smaller magnitude of growth of S\$0.7 million and S\$0.3 million respectively.

FY 2021 vs FY 2020

Sales for the full year of 2021 ("FY 2021") increased by S\$33.7 million or 32.0% as compared to full year of 2020 ("FY 2020"). The sales growth was broad-based across the various markets.

All the markets recorded growth with ASEAN and Europe leading the recovery, recording an increase in sales of S\$10.9 million or 16.6% and S\$9.0 million or 93.9% respectively. Other markets such as Australia, North Asia and Middle East performed better as well with higher sales recorded in the range of S\$2.6 million to S\$5.5 million while South Asia recorded a small growth of S\$1.4 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)	
	H2 2021	H1 2021	H2 2021 vs H1 2021		H2 2020	H2 2021 vs H2 2020		
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Distribution activity	70,465	63,445	7,020	11.1	51,314	19,151	37.3	
Manufacturing activity	2,528	2,464	64	2.6	1,907	621	32.5	
Total Sales	72,993	65,909	7,084	10.7	53,221	19,772	37.1	

			Variance Fav/(Unfav)	
	FY 2021	FY 2020	S\$'000	%
	S\$'000	S\$'000	S\$'000	%
Distribution activity	133,910	101,768	32,142	31.6
Manufacturing activity	4,992	3,471	1,521	43.8
Total Sales	138,902	105,239	33,663	32.0

H2 2021 vs H1 2021 H2 2021 vs H2 2020

Both segments recorded higher sales in H2 2021 as compared to H1 2021 and H2 2020.

Sales from distribution segments increased by S\$7.0 million or 11.1% and S\$19.2 million or 37.3% in H2 2021 over H1 2021 and H2 2020 respectively.

Sales from the contract manufacturing segment improved marginally by S\$0.1 million or 2.6% as compared to H1 2021 and increased by S\$0.6 million or 32.5% vis-à-vis H2 2020.

FY 2021 vs FY 2020

Year-on-year, sales from distribution segment increased by S\$32.1 million or 31.6% while sales from manufacturing segment increased by S\$1.5 million or 43.8%.

(b) Gross profit

H2 2021 vs H1 2021 H2 2021 vs H2 2020

Gross profit margin dipped slightly in H2 2021 (24.3%) as compared to H1 2021 (24.9%) due to lower margin in certain markets and stock written down as a result of damages to our inventory in third party warehouses.

Similarly, gross profit margin was lower in H2 2021 (24.3%) as compared to H2 2020 (25.0%) due to higher freight costs and stock written down as a result of damages to our inventory in third party warehouses.

Because of higher sales achieved in H2 2021 over both H1 2021 and H2 2020, gross profit increased by S\$1.3 million or 8.0% over H1 2021 and S\$4.4 million or 33.1% as compared to H2 2020.

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(b) Gross profit (cont'd)

FY 2021 vs FY 2020

Gross profit margin for FY 2021 declined slightly to 24.6% as compared to 25.2% in FY 2020 mainly due to high freight costs in FY 2021.

As higher sales were achieved in FY 2021, gross profit increased year-on-year by S\$7.6 million or 28.7% to S\$34.1 million.

(c) Other income

	H2 2021	H1 2021	Variance Fav/(Unfav)		H2 2020	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Change in fair value of financial assets at fair value through profit or loss							
- forward foreign exchange contract	14	43	(29)	(66.2)	4	10	237.6
- listed equity security	-	200	(200)	(100.0)	100	(100)	(100.0)
Compensation claims	129	-	129	NM	-	129	NM
Grant income	77	243	(166)	(68.5)	522	(445)	(85.3)
Interest income	35	54	(19)	(35.7)	95	(60)	(63.6)
Net foreign exchange gain	21	-	21	NM	-	21	NM
Trade receivables recovered	170	168	2	1.2	265	(95)	(35.8)

	FY 2021	FY 2020	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Change in fair value of financial assets at fair value through profit or loss				
- listed equity security	200	128	72	56.9
Compensation claims	129	-	129	NM
Grant income	320	1,158	(838)	(72.3)
Interest income	89	192	(103)	(53.7)
Net foreign exchange gain	-	52	(52)	(100.0)
Trade receivables recovered	338	364	(27)	(7.3)

NM : not meaningful

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(c) Other income (cont'd)

H2 2021 vs H1 2021

Other income in H2 2021 decreased by S\$270,000 or 37.1% as compared to H1 2021. This was partly due to the absence of fair value gain from listed equity of S\$200,000. As government support for the pandemic ceased, grant income in H2 2021 was lower by S\$166,000.

The decrease was partially offset by compensation claim of S\$129,000 mostly for damages to our inventory in third party warehouses.

H2 2021 vs H2 2020

Similarly, other income was lower by S\$538,000 or 53.9% year-on-year mainly due to lower grant income of S\$445,000, lower trade receivables recovered of S\$95,000, lower interest income of S\$60,000 and the absence of fair value gain from listed equity of S\$100,000.

The reduction was offset by compensation claim of S\$129,000 mostly for damages to our inventory in third party warehouses.

FY 2021 vs FY 2020

As compared to FY 2020, other income decreased by S\$813,000 or 42.0%. This was mainly due to lower grant income of S\$838,000, lower interest income of S\$103,000, lower trade receivables recovered of S\$27,000 and the absence of net foreign exchange gain (net foreign exchange loss was recognised in FY 2021 under operating expenses).

The decrease was partly offset by compensation claim of S\$129,000 mostly for damages to our inventory in third party warehouses and higher fair value gain from listed equity of S\$72,000.

(d) Operating expenses

	H2 2021	H1 2021	Variance Fav/(Unfav)		H2 2020	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Change in fair value of financial liabilities at fair value through profit or loss							
- forward foreign exchange contracts	35	9	(26)	(277.4)	164	129	78.4
Depreciation of property, plant and equipment	364	399	35	8.7	444	80	18.0
Depreciation of right-of-use assets	239	209	(30)	(14.3)	170	(69)	(40.4)
Employee remuneration	9,389	8,275	(1,114)	(13.5)	7,283	(2,106)	(28.9)
Impairment of trade receivables	19	81	62	76.1	19	-	(2.1)
Net foreign exchange loss	-	216	216	100.0	78	78	100.0
Professional fees	404	389	(15)	(4.1)	389	(15)	(3.9)
Transport charges	503	423	(80)	(19.1)	385	(119)	(30.9)
Warehouse storage charges	1,320	1,284	(36)	(2.8)	1,305	(15)	(1.1)

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(d) Operating expenses (cont'd)

	FY 2021	FY 2020	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Change in fair value of financial liabilities at fair value through profit or loss				
- forward foreign exchange contracts	35	164	129	78.4
Depreciation of property, plant and equipment	763	884	121	13.7
Depreciation of right-of-use assets	448	355	(93)	(26.2)
Employee remuneration	17,663	14,478	(3,185)	(22.0)
Impairment of trade receivables	100	73	(27)	(37.0)
Net foreign exchange loss	161	-	(161)	NM
Professional fees	793	697	(96)	(13.7)
Warehouse storage charges	2,604	2,579	(25)	(1.0)
Transport charges	926	752	(174)	(23.1)

H2 2021 vs H1 2021

H2 2021 vs H2 2020

Total operating expenses for H2 2021 increased by S\$0.9 million or 6.9% and S\$1.9 million or 15.6% to S\$13.9 million as compared to H1 2021 and H2 2020 respectively. The main reasons for the increase over both periods were higher employee remuneration and higher transport charges.

Higher employee remuneration of S\$1.1 million and S\$2.1 million vis-à-vis H1 2021 and H2 2020 respectively were recorded primarily due to increase in headcount and higher performance-related rewards while higher transport charges of S\$0.1 million in H2 2021 were in line with higher sales recorded in H2 2021.

This was partly offset by absence of net foreign exchange loss of S\$0.2 million and S\$0.1 million recorded in H1 2021 and H2 2020 respectively.

H2 2021 also recorded lower trade receivables impairment of S\$0.1 million as compared to H1 2021 and lower fair value loss from forward exchange contract of S\$0.1 million as compared to H2 2020.

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(d) Operating expenses (cont'd)

FY 2021 vs FY 2020

Year-on-year, total operating expenses for FY 2021 increased by S\$3.5 million or 14.9%.

Higher employee remuneration of S\$3.2 million in line with better performance and higher transport charges of S\$0.2 million in line with higher sales achieved. Net foreign exchange loss of S\$0.2 million was recognised as opposed to a net foreign exchange gain in FY 2020.

Higher professional fees of S\$0.1 million were incurred in relation to recovery of trade receivable and trade mark expenses. Higher depreciation of right-of-use assets were recorded due to new assets recognised in FY 2021.

The increase was partly offset by lower fair value loss from forward exchange contract of S\$0.1 million.

(e) Finance costs

Finance costs comprised the following:-

	H2 2021	H1 2021	Variance Fav/(Unfav)		H2 2020	Variance Fav/(Unfav)	
	S\$'000	S\$'000	H2 2021 vs H1 2021	%	S\$'000	H2 2021 vs H2 2020	%
Bills payables	164	195	31	16.4	98	(66)	(66.3)
Bank loans	156	82	(74)	(89.6)	121	(35)	(28.3)
Bank overdraft	40	20	(20)	(105.9)	10	(30)	(291.9)
Leases for right-of-use assets	73	74	1	1.5	72	(1)	(2.5)
Total finance costs	433	371	(62)	(16.5)	301	(132)	(43.6)

	FY 2021	FY 2020	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Bills payables	359	261	(98)	(37.5)
Bank loans	238	313	75	24.1
Bank overdraft	60	10	(50)	(482.2)
Leases for right of use assets	147	142	(5)	(4.1)
Total finance costs	804	726	(78)	(10.7)

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(e) Finance costs (cont'd)

H2 2022 vs H1 2021
H2 2021 vs H2 2020

Finance costs for H2 2021 increased by S\$62,000 or 16.5% over H1 2021 mainly due to higher short term bank loans drawn in H2 2021 to support operating activities.

Similarly, finance costs increased over H2 2020 by S\$132,000 or 43.6% mainly due to higher trade borrowings and short term bank loans to finance higher working capital requirement to support higher sales level.

FY 2021 vs FY 2020

For the same reasons noted above, finance costs increased by S\$78,000 or 10.7% over FY 2020.

(f) Share of profit of associated companies

H2 2021 vs H1 2021
H2 2021 vs H2 2020

Our share of profit of associated companies decreased marginally by S\$39,000 or 4.8% as compared to H1 2021.

Vis-à-vis H2 2021, our share of profit of associated companies increased by S\$80,000 or 11.2% as business conditions improved in 2021.

FY 2021 vs FY 2020

Our share of profit of associated companies for FY 2021 was relatively flat at S\$1.6 million as compared to FY 2020. The improvement in overall distribution business in FY 2021 helped to compensate for fall in demand for cleaning chemicals following a surge in FY 2020.

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

H2 2021 vs H1 2021

Profit before tax increase was relatively flat at S\$4.6 million while EBITDA at S\$5.6 million was S\$0.1 million or 2.2% higher than H1 2021.

On the other hand, income tax expense was lower by S\$0.4 million due to adjustments for prior year income tax expense. As a result, net profit after increased by S\$0.4 million or 11.4% over H1 2021.

Excluding grant income, profit before tax would have increased by S\$0.2 million or 4.9% and net profit after tax would be S\$0.6 million or 16.9% higher.

H2 2021 vs H2 2020

Net profit before tax and EBITDA increased by S\$1.9 million or 72.2% and S\$2.1 million or 60.4% respectively as a result of higher gross profit achieved.

Net profit after tax increased by S\$1.8 million or 72.7% as income tax expenses were higher by S\$0.2 million.

Excluding grant income, profit before tax would have increased by S\$2.4 million or 110.3% while and net profit after tax would be S\$2.2 million or 114.6% higher.

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(g) Profit before income tax and net profit after tax (cont'd)

FY 2021 vs FY 2020

Similarly, profit before tax and EBITDA increased by S\$3.3 million or 54.7% and S\$3.4 million or 44.1% to S\$9.2 million and S\$11.1 million respectively to as a result of higher gross profit achieved.

Net profit after tax increased by S\$2.7 million or 52.0% on the back of higher sales.

Excluding grant income, profit before tax would have increased by S\$4.1 million or 85.5% while and net profit after tax would be S\$3.6 million or 86.3% higher.

(h) Total comprehensive income

These translation gains or losses arise from translation of foreign currency denominated asset and liabilities of subsidiaries and associated companies. Translation losses of S\$0.2 million and S\$0.5 million in H2 2021 and FY 2021 respectively were largely due to the depreciation of Thai Baht against Singapore Dollar.

H2 2021 vs H1 2021

H2 2021 vs H2 2020

As translation losses in H2 2021 were S\$0.1 million lower than translation losses in H1 2021 of S\$0.3 million, comprehensive income for H2 2021 increased by S\$0.6 million or 17.4% to S\$4.1 million as compared to H1 2021.

Similarly, translation losses for H2 2021 were S\$0.3 million lower than translation losses in H2 2020 of S\$0.5 million, comprehensive income for H2 2021 increased by S\$2.1 million or 103.3% as compared to H2 2020.

FY 2021 vs FY 2020

Year-on-year, comprehensive income for increased by S\$2.6 million or 52.5% as translation losses in FY 2021 were higher by S\$0.1 million.

Financial Position Review

Financial Position Highlights	As at		Variance 31 December 2021 vs 31 December 2020 Fav/(Unfav)
	31 December 2021	31 December 2020	
Cash (S\$mil)	11.5	16.2	(4.7)
Borrowings (S\$mil)	28.9	19.3	(9.6)
Current ratio (times)	1.8	2.2	(0.4)
Gearing ratio (times)	0.51	0.37	(0.14)
Net assets per share attributable to equity holders of the Company (cents)	42.95	39.33	3.62
Inventory turnover (days)	120	133	13
Trade receivables turnover (days)	73	80	7
Trade payable turnover (days)	24	34	(10)

REVIEW OF PERFORMANCE (cont'd)

Financial Position Review (cont'd)

(i) Property, plant and equipment

The carrying value of property, plant and equipment increased by S\$2.6 million from S\$12.7 million as at 31 December 2020 to S\$15.2 million as at 31 December 2021. The increase was due to additional capital expenditure of S\$3.4 million, out of which S\$3.0 million relate to construction of our warehouse in Malaysia, offset by depreciation charge of S\$0.8 million for the current year.

(j) Right-of-use assets

The carrying value of right-of-use assets increased by S\$0.1 million from S\$2.7 million as at 31 December 2020 to S\$2.8 million as at 31 December 2021 mainly due to new lease assets recognised of S\$0.6 million offset by depreciation charge of S\$0.4 million in the current year.

(k) Investment in associated companies

The increase in carrying value of our associated companies by S\$0.4 million was mainly due to positive contribution from operation in the current year of S\$1.6 million offset by dividend return of S\$0.6 million and translation loss of S\$0.6 million.

(l) Trade and other receivables

Net trade receivables increased by S\$7.0 million or 29.5% from S\$23.6 million as at 31 December 2020 to S\$30.6 million as at 31 December 2021. The increase was because of higher sales in H2 2021 as compared to H2 2020. Turnover days improved by 7 days from 80 days for FY 2020 to 73 days for FY 2021.

(m) Inventories

Inventories increased by S\$12.1 million or 49.6% from S\$24.4 million as at 31 December 2020 to S\$36.5 million as at 31 December 2021. The increase in inventory was mainly to support higher sales to ensure continuity of supply to customers. Inventory turnover days improved by 13 days from 133 days for FY 2020 to 120 days for FY 2021 as sales improved.

(n) Other current assets

Other current assets increased by S\$2.0 million or 79.5% to S\$4.5 million as at 31 December 2021 primarily due to higher advance payments to suppliers of S\$1.8 million in tandem with higher purchases.

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

The carrying value of financial assets at fair value through profit or loss increased by S\$210,000 mainly due to fair value gain from listed equity of S\$200,000 in FY 2021.

Financial liabilities at fair value through profit or loss decreased by S\$0.1 million to S\$35,000 as at 31 December 2021 as compared to 31 December 2020.

REVIEW OF PERFORMANCE (cont'd)

Financial Position Review (cont'd)

(p) Trade and other payables

Total trade payables increased by S\$1.5 million or 21.7% from S\$6.8 million as at 31 December 2020 to S\$8.3 million as at 31 December 2021 as higher purchases were made in H2 2021. Turnover days shorten to 24 days in FY 2021 as compared to 34 days in FY 2020.

Other payables in aggregate consisting of accrued operating expenses, advance payments from customer and sundry payables increased by S\$3.0 million from S\$6.7 million as at 31 December 2020 to S\$9.7 million as at 31 December 2021. The increase was mainly due to higher accrual of operating expenses of S\$2.5 million, higher sundry creditors of S\$0.5 million and higher advance payment received from customer of S\$0.2 million offset by reduction in deferred income of S\$0.2 million.

(q) Financial liabilities - lease liabilities

The carrying value of lease liabilities increased from S\$2.8 million as at 31 December 2020 to S\$2.9 million as at 31 December 2021. Additional lease liabilities recognised of S\$0.6 million and accretion of interest of S\$148,000 were offset by repayment of lease liabilities of S\$0.5 million in FY 2021.

(r) Borrowings

Total borrowings increased by S\$9.6 million or 49.7% from \$19.3 million as at 31 December 2020 to S\$28.9 million as at 31 December 2021. This increase in trade borrowings and short term bank loans were to finance higher working capital requirement corresponding to an increase in sales level.

In line with higher total borrowings, our gearing ratio increased from 0.37 times as at 31 December 2020 to 0.51 times as at 31 December 2021.

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

Net asset value per share increased from 39.33 cents as at 31 December 2020 to 42.95 cents as at 31 December 2021 primarily due to comprehensive income recorded for equity holders of S\$7.2 million less dividend payment of S\$2.4 million in FY 2021.

Cashflow Review

Negative cash flow from operating activities of S\$7.8 million was generated in FY 2021 despite recording net profit after tax of S\$8.0 million in FY 2021. This was due to higher working capital requirements (ie higher trade receivables, higher purchases of inventory, higher advance payments to suppliers) corresponding to an increase in business activities. The higher working capital requirements were mostly financed through borrowings.

Other major cash outflows under investing and financing activities in FY 2021 were payments for property, plant and equipment of S\$3.5 million, which include S\$3.0 million for the warehouse construction in Malaysia, payments for dividends of S\$2.4 million and repayment of long term bank loans of S\$0.9 million.

As such, overall cash and cash equivalents decreased by S\$4.8 million from S\$15.9 million as at 31 December 2020 to S\$11.1 million as at 31 December 2021.



RISK

We believe the imminent risks to our financial performance for the year 2022 ("FY 2022") are as follows:

COVID-19

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

Tapering of Government Stimulus and Tightening of Monetary Policies

As global economy starts to recover, central banks are beginning to taper their government stimulus and may tighten monetary policies in FY 2022 which may dampen global economic growth. Inevitably, the impact will be felt in the chemical industry which may in turn have an adverse effect on our performance.

Financial market risk

Financial market activity and economic growth are closely linked. Many have warned of stretched market valuations. Should financial market risk escalates into a major correction, it may have an impact on economic growth and hence on our business prospect.

Product Shortages & Supply Chain Risk

The pandemic and uneven economic recovery has led to a critical shortage of products and shipping capacity in FY 2021, posing significant challenges to supply of our products and inventory management. If this situation does not ease in FY 2022, it may put a cap on growth for chemical industry until the supply-demand imbalances and shipping capacity are normalised.

Volatility in energy prices

Oil prices has staged a remarkable rebound since the later part of 2020. Any further escalation in oil prices may push freight rates and chemical prices higher which may in turn dampen demand for chemicals. Specialty chemicals, though not immune to oil price fluctuations, are less susceptible in comparison to bulk commodity chemicals due to the fact that they are more downstream product whose usage in the finished product is smaller.

Currency risk

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

Interest rate risk

Our interest rate risk arises from bank borrowings at floating rates. Although market interest rates have been falling and are now at historical low, indications from central banks point towards hike in interest rates in FY 2022 which will increase our borrowing cost.

Credit risk

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

Country risk

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

RISK (cont'd)

Inventory risk

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

Liquidity risk

The emergence of COVID-19 has also led to banks taking a more prudent stance in its lending activities. This can put further strain on companies which are heavily reliant on bank borrowings. Notwithstanding the fact that we partly rely on bank borrowings to fund our operations, our low gearing and sound liquidity put us in a healthy financial position. Thus far, our banks have remained supportive even during this health and economic crisis.

PROSPECTS

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

2021 : Megachem's Performance Hit a New High

FY 2021 marks the beginning of the global economic recovery even though the growth trajectory was uneven due to the emergence of new COVID variant and supply chain challenges. Despite these challenges, we finished the year strongly with record sales and profit. This is attributed to strong demand recovery across a wide spectrum of our market segments and an upturn in chemical prices. It demonstrates once again our resilience and robustness of our business model.

2022 : Dawn of a New Growth Cycle

Economic Recovery

Heading into 2022, the potential headwind such as tightening of global monetary policy led by USA, economic slowdown in China and resurgence of COVID virus may put a drag on the current economic recovery. On the flip side, accelerated vaccination against COVID and a less severe Omicron wave may lead to further easing of border restrictions which will pave the way for a smoother growth trajectory.

Positive Chemical Industry

On the back of economic recovery, the demand for specialty chemicals especially from industries such as electronics, personal care and water treatment is likely to remain buoyant. Growth impediments such as the product shortages and supply chain challenges may ease along with gradual lifting of border restrictions which will provide a more stable and conducive environment for the industry to continue its growth.

Megachem : Realising Potential, Capitalising Opportunities

Urbanisation and growing affluence, coupled with increasing government spending on infrastructure and foreign investment, are forces that will drive the shift in economic growth towards Asia. Greater economic integration between China and ASEAN may lead to years of strong and sustained growth in Asia. Megachem operates in 12 countries, of which 9 are in Asia. We will therefore continue to enhance our market position by leveraging on our extensive network, our strong customer base and market insights. We will channel more resources to strengthen our market presence and to realise our potential.

Efforts will be stepped up to strengthen our supply sources from key producers in China, USA, Europe, Japan and the rest of Asia with the objective of offering cost effective products and solutions to our customers. While maintaining resilience through a diversified industry coverage, efforts will be intensified to deepen our coverage in high growth industries.

We believe we are experiencing the dawn of a new growth cycle that will provide many opportunities for us to elevate our business to another level. Given our extensive geographic footprint in Asia, comprehensive product range across a wide spectrum of industries and a strong customer base, we are well-positioned to ride on this new wave of growth.



DIVIDEND

(a) Current financial year reported on

Any final dividend declared for the financial year ended? Yes

The directors are pleased to recommend a final tax exempt dividend of 1.2 cents per share in respect of the financial year ended 31 December 2021 for approval by the shareholders at the next Annual General Meeting to be convened.

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

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the immediately preceding financial year ended 31 December 2020? Yes

Name of dividend	Interim	Final
Dividend type	Cash	Cash
Dividend amount per share (in cents)	0.5	1.0
Tax rate	Exempt	Exempt

(c) Date payable

The final tax exempt dividend of 1.2 cents per share in respect of the financial year ended 31 December 2021, subject to approval by the shareholders at the next Annual General Meeting to be convened, will be paid on 29 June 2022.

(d) Record date

The Share Transfer Books and Register of Members of the Company will be closed on 14 June 2022 for the purpose of determining member's entitlements to the proposed interim tax exempt dividend.

Duly completed and stamped transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd), 80 Robinson Road, #02-00 Singapore 068898, up to 5.00pm on 13 June 2022 (the "Record Date") will be registered to determine member's entitlements to the proposed dividend.

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

Payment of the final tax exempt dividend of 1.2 cents per share will be made on 29 June 2022.



Breakdown of sales

	Full year ended 31 December 2021	Full year ended 31 December 2020	Variance Increase	
	S\$'000	S\$'000	S\$'000	%
<u>Sales</u>				
(a) Sales for the first half ("H1")	65,909	52,017	13,892	26.7%
(b) Sales for the second half ("H2")	72,993	53,221	19,772	37.1%
<i>Increase H2 from H1</i>	7,084	1,205		
<i>Increase H2 from H1 (in %)</i>	10.7%	2.3%		
<u>Operating profit after tax</u>				
(c) Operating profit after tax and before attributing to non-controlling interests for H1	3,779	2,820	959	34.0%
(d) Operating profit after tax and before attributing to non-controlling interests for H2	4,211	2,438	1,773	72.7%
<i>Increase/(decrease) H2 from H1</i>	432	(382)		
<i>Increase/(decrease) H2 from H1 (in %)</i>	11.4%	(13.5%)		

Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10).

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Liau Bin Bin	54	Spouse of Mr Chew Choon Tee, the Managing Director and substantial shareholder of the Company	Managing Director of CN Chemicals Sdn Bhd, a wholly-owned subsidiary of Megachem Limited, since 1 January 2009.	Nil

The following directors and substantial shareholders have confirmed that as at 31 December 2021, they do not have any relatives who are holding a managerial position in the Company or any of its principal subsidiaries:-

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

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

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



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

Except for the acquisition of Green Leaf Chemical Co., Ltd by our associated company, Megachem (Thailand) Public Company Limited which resulted in Green Leaf Chemical Co., Ltd being an indirect associated company of the Group, there were no acquisition or realization of shares in any of the Group's subsidiary or associated company nor incorporation of any new subsidiary or associated company by the Company or any of the Group's entities during the full financial year ended 31 December 2021.

On behalf of the Board of Directors

Chew Choon Tee
Managing Director

21 February 2022