



MEGACHEM LIMITED

Condensed Interim Financial Statements

For The Half Year Ended 30 June 2021

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**CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE HALF YEAR ENDED 30 JUNE 2021**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED
30 JUNE 2021**

		Unaudited For the half year ended 30 June 2021	Unaudited For the half year ended 30 June 2020	Variance Favourable/(Unfavourable)	
	Note	S\$	S\$	S\$'000	%
Revenue	3	65,909,357	52,017,444	13,892	26.7%
Cost of sales		<u>(49,510,735)</u>	<u>(38,816,567)</u>	(10,694)	(27.6%)
Gross profit		16,398,622	13,200,877	3,198	24.2%
Other income	4	730,323	1,051,008	(321)	(30.5%)
Distribution costs		(8,411,070)	(7,412,659)	(998)	(13.5%)
Administrative expenses		(3,008,158)	(2,749,362)	(259)	(9.4%)
Other operating expenses		(1,596,125)	(1,293,714)	(302)	(23.4%)
Finance costs	5	(371,424)	(424,986)	54	12.6%
Share of profit of associated companies		827,158	885,692	(59)	(6.6%)
Profit before income tax	6	<u>4,569,326</u>	<u>3,256,856</u>	1,312	40.3%
Income tax expense	7	<u>(790,526)</u>	<u>(437,402)</u>	(353)	(80.7%)
Net profit after tax		<u>3,778,800</u>	<u>2,819,454</u>	959	34.0%
Other comprehensive income:					
Exchange differences on translating foreign operations, net of tax		<u>(329,365)</u>	<u>153,527</u>	(483)	(314.5%)
Total comprehensive income		<u>3,449,435</u>	<u>2,972,981</u>	476	16.0%
Net profit attributable to:					
Equity holders of the Company		3,770,959	2,699,939	1,071	39.7%
Non-controlling interests		<u>7,841</u>	<u>119,515</u>	(112)	(93.4%)
Net profit		<u>3,778,800</u>	<u>2,819,454</u>	959	34.0%
Total comprehensive income attributable to:					
Equity holders of the Company		3,400,247	2,796,320	604	21.6%
Non-controlling interests		<u>49,188</u>	<u>176,661</u>	(128)	(72.2%)
Total comprehensive income		<u>3,449,435</u>	<u>2,972,981</u>	476	16.0%
Earnings per share of profit attributable to equity holders of the Company during the financial period					
- basic and diluted	9	<u>2.83 cents</u>	<u>2.03 cents</u>	0.80 cents	39.4%

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021

		<u>Group</u>		<u>Company</u>	
		Unaudited	Audited	Unaudited	Audited
		30 June	31 December	30 June	31 December
		2021	2020	2021	2020
	Note	S\$	S\$	S\$	S\$
ASSETS					
Non-current assets					
Property, plant and equipment	11	14,820,827	12,651,021	1,226,069	1,291,700
Right-of-use assets	12	3,014,773	2,689,043	1,057,181	1,102,035
Investment property	13	70,329	72,921	-	-
Investments in subsidiaries		-	-	5,571,772	5,571,772
Investments in associated companies		7,626,720	7,613,201	2,798,756	2,798,756
Transferable club memberships		26,666	27,001	4,001	4,001
Other receivables		-	-	1,700,390	1,824,630
Deferred tax assets		534,765	561,303	-	-
		<u>26,094,080</u>	<u>23,614,490</u>	<u>12,358,169</u>	<u>12,592,894</u>
Current assets					
Inventories	14	29,424,204	24,374,512	16,457,839	10,698,800
Trade and other receivables	15	27,304,257	24,235,577	19,922,473	16,252,221
Financial assets at fair value through profit or loss	16	593,239	354,338	550,000	350,000
Other current assets		4,274,162	2,516,114	584,408	486,181
Cash and bank balances		14,102,794	16,216,839	2,022,826	2,042,637
		<u>75,698,656</u>	<u>67,697,380</u>	<u>39,537,546</u>	<u>29,829,839</u>
Total assets		<u>101,792,736</u>	<u>91,311,870</u>	<u>51,895,715</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		(4,554,391)	(4,183,679)	-	-
Retained earnings		43,160,599	40,722,640	6,447,823	6,353,439
		<u>54,498,236</u>	<u>52,430,989</u>	<u>22,339,851</u>	<u>22,245,467</u>
Non-controlling interests		2,905,340	2,856,152	-	-
Total equity		<u>57,403,576</u>	<u>55,287,141</u>	<u>22,339,851</u>	<u>22,245,467</u>
Non-current liabilities					
Borrowings	18	1,625,000	2,555,154	1,625,000	1,875,000
Financial liabilities - lease liabilities		2,770,294	2,562,632	1,093,651	1,128,956
		<u>4,395,294</u>	<u>5,117,786</u>	<u>2,718,651</u>	<u>3,003,956</u>
Current liabilities					
Current income tax liabilities		461,642	203,350	261,254	131,764
Trade and other payables	19	12,884,264	13,532,216	8,171,086	6,478,194
Borrowings	18	26,282,654	16,790,215	18,390,920	10,537,042
Financial liabilities - lease liabilities		355,834	214,651	13,953	13,958
Financial liabilities at fair value through profit or loss	20	9,472	166,511	-	12,352
		<u>39,993,866</u>	<u>30,906,943</u>	<u>26,837,213</u>	<u>17,173,310</u>
Total liabilities		<u>44,389,160</u>	<u>36,024,729</u>	<u>29,555,864</u>	<u>20,177,266</u>
Total equity and liabilities		<u>101,792,736</u>	<u>91,311,870</u>	<u>51,895,715</u>	<u>42,422,733</u>

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2021

	Attributable to equity holders of the Company					
<u>The Group</u>	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 period	3,449,435	3,400,247	-	(370,712)	3,770,959	49,188
Final dividend relating to 2020 paid	(1,333,000)	(1,333,000)	-	-	(1,333,000)	-
Closing balance at 30 June 2021	57,403,576	54,498,236	15,892,028	(4,554,391)	43,160,599	2,905,340
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 period	2,972,981	2,796,320	-	96,381	2,699,939	176,661
Final dividend relating to 2019 payable on 20 July 2020	(1,333,000)	(1,333,000)	-	-	(1,333,000)	-
Final dividends paid to non-controlling interests	(76,854)	-	-	-	-	(76,854)
Closing balance at 30 June 2020	54,009,116	51,099,582	15,892,028	(3,755,836)	38,963,390	2,909,534
<u>The Company</u>	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 period	1,427,384	-	1,427,384			
Final dividend relating to 2020 paid	(1,333,000)		(1,333,000)			
Closing balance at 30 June 2021	22,339,851	15,892,028	6,447,823			
Previous year :						
Opening balance at 1 January 2020	22,921,996	15,892,028	7,029,968			
Total comprehensive income for the reporting period	1,597,358	-	1,597,358			
Final dividend relating to 2019 payable on 20 July 2020	(1,333,000)	-	(1,333,000)			
Closing balance at 30 June 2020	23,186,354	15,892,028	7,294,326			

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE HALF YEAR ENDED 30 JUNE 2021

	Unaudited For the half year ended 30 June 2021 S\$	Unaudited For the half year ended 30 June 2020 S\$
Cash flows from operating activities		
Net profit	3,778,800	2,819,454
Adjustments for:		
Depreciation of property, plant and equipment and investment property	400,291	441,617
Depreciation of right-of-use assets	208,999	184,815
Dividend income	-	(4,780)
Gain on disposal of property, plant and equipment	(14,072)	(17,391)
Share of profit of associated companies	(827,158)	(885,692)
Income tax expense	790,526	437,402
Interest income from banks	(53,934)	(96,328)
Finance costs	371,424	424,986
Net changes in fair value of financial assets at fair value through profit or loss	(242,908)	(55,123)
Changes in fair value of financial liabilities at fair value through profit or loss	9,379	31,880
Operating cash flows before working capital changes	4,421,347	3,280,840
Change in operating assets and liabilities :		
Trade and other receivables and other current assets	(4,724,312)	3,305,277
Inventories	(4,863,288)	(194,997)
Trade and other payables	(981,645)	(1,306,363)
Foreign exchange adjustment differences	(88,436)	(22,124)
Cash (used in)/generated from operations	(6,236,334)	5,062,633
Income tax paid	(487,755)	(495,599)
Interest received	199,951	98,615
Net cash (used in)/from operating activities	(6,524,138)	4,665,649
Cash flows from investing activities		
Dividends received from associated company and listed equity	435,029	257,421
Purchase of property, plant and equipment	(2,606,687)	(490,899)
Proceeds from sale of property, plant and equipment	14,103	17,391
Net cash used in investing activities	(2,157,555)	(216,087)
Cash flows from financing activities		
Dividends paid	(1,333,000)	-
Dividends paid by subsidiary to non-controlling shareholders	-	(76,854)
Repayments of long term bank loans	(853,178)	(359,864)
Proceeds from bills payables	7,959,092	1,081,692
Proceeds from/(repayment of) short term bank loans	741,579	(1,330,374)
Lease liabilities paid	(260,453)	(232,735)
Interest paid	(283,158)	(394,873)
Net cash from/(used in) financing activities	5,970,882	(1,313,008)
Net (decrease)/increase in cash and cash equivalents	(2,710,811)	3,136,554
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	14,871	62,888
Cash and cash equivalents, statement of cash flow, ending balance	13,217,852	18,079,848
Cash and cash equivalents comprised the followings:		
Cash and bank balances	14,102,794	18,197,161
Less: bank overdraft	(884,942)	(117,313)
	13,217,852	18,079,848

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1.1 General

Megachem Limited (the “Company”) is incorporated in Singapore with limited liability. The condensed interim financial statements as at and for the half year ended 30 June 2021 financial statements are presented in Singapore dollars and they cover the Company (referred to as “parent”) and its subsidiaries and associated companies (collectively, the “Group”).

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

1.2 Statement of compliance with financial reporting standards

The condensed interim financial statements for the half year ended 30 June 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 period 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 30 June 2021 and the reported amounts of revenues and expenses for the half year ended 30 June 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

2.2 Fair value measurement

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

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

3. Revenue

	Group unaudited half year ended 30 June	
	2021 \$	2020 \$
Sale of goods	63,905,341	50,626,372
Rendering of services	2,004,016	1,391,072
Total sales	<u>65,909,357</u>	<u>52,017,444</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 unaudited half year ended 30 June		Rendering of services unaudited half year ended 30 June	
	2021 \$	2020 \$	2021 \$	2020 \$
Group				
Primary geographical markets				
Singapore	24,000,290	19,081,287	2,004,016	1,391,072
Rest of geographical areas	39,905,051	31,545,085	–	–
Total sales	<u>63,905,341</u>	<u>50,626,372</u>	<u>2,004,016</u>	<u>1,391,072</u>

(ii) Seasonality of operations

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

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

4. Other income

	Group unaudited half year ended 30 June	
	<u>2021</u>	<u>2020</u>
	\$	\$
Changes in fair value of financial assets at fair value through profit or loss – listed equity securities	200,000	27,500
Changes in fair value of financial assets at fair value through profit or loss – forward foreign exchange contract	42,908	27,623
Dividend income from quoted corporations	–	4,870
Trade receivables recovered	167,816	99,706
Gain on disposal of property, plant and equipment	14,072	17,391
Government grant – others	32,928	166,328
Government grant – Jobs support scheme	210,460	469,000
Interest income – banks	53,934	96,328
Net foreign exchange gain	–	134,073
Rental income	8,205	8,279
Total other income	<u>730,323</u>	<u>1,051,008</u>

5. Finance costs

	Group unaudited half year ended 30 June	
	<u>2021</u>	<u>2020</u>
	\$	\$
Interest expense		
- Bills payable to banks	195,310	162,608
- Bank loans	82,141	192,052
- Bank overdraft	19,589	–
- Lease for right-of-use assets	74,384	70,326
Total finance costs	<u>371,424</u>	<u>424,986</u>

6. Profit before income tax

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

	Group unaudited half year ended 30 June	
	<u>2021</u>	<u>2020</u>
	\$	\$
Cost of inventories	47,807,356	37,056,042
Changes in fair value of financial liabilities at fair value through profit or loss	9,379	31,880
Depreciation of investment property	1,537	1,552
Depreciation of property, plant and equipment	398,754	440,065
Depreciation of right-of-use assets	208,999	184,815
Employee compensation	8,742,928	7,621,072
Net foreign exchange loss	215,900	–
Impairment of trade receivables	80,681	54,076
Inventories written down	162,000	440,808
Warehouse storage charges	<u>1,284,184</u>	<u>1,273,248</u>

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

7. Income tax expense

	Group unaudited half year ended 30 June	
	2021 \$	2020 \$
Current period:		
Current tax expense	749,765	469,588
Deferred tax (benefit)/expense	(48,557)	11,816
Sub-total	701,208	481,404
Prior periods:		
Under/(over) adjustments for current tax expense	14,223	(39,831)
Under/(over) adjustments for deferred tax expense	75,095	(4,171)
Sub-total	89,318	(44,002)
Total income tax expense	790,526	437,402

8. Dividends

	Group and Company unaudited half year ended 30 June	
	2021 \$	2020 \$
Final tax exempt dividend paid (30 June 2020: payable on 20 July 2020) of 1.0 cents per share in respect of previous reporting year	1,333,000	1,333,000

9. Earnings per ordinary share (in cents)

	Group unaudited half year ended 30 June	
	2021	2020
a) Based on weighted average number of ordinary shares on issue	2.83	2.03
b) On a fully diluted basis	2.83	2.03
Weighted average number of ordinary shares in issue for earnings per share	133,300,000	133,300,000

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

	Group		Company	
	Unaudited 30 June 2021	Audited 31 December 2020	Unaudited 30 June 2021	Audited 31 December 2020
Net asset value per ordinary share based on issued share capital (cents)	40.88	39.33	16.76	16.69
No of ordinary shares used in calculation	133,300,000	133,300,000	133,300,000	133,300,000

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

11. Property, plant and equipment

During the half year ended 30 June 2021, the Group acquired property, plant and equipment with an aggregate cost of \$2,707,869 (half year ended 30 June 2020: \$494,384), of which \$2,539,690 (half year ended 30 June 2020: \$357,785) relates to construction in progress.

Capital commitment of the Group as at 30 June 2021 amounted to \$979,000 (31 December 2020: \$3,110,860).

12. Right-of-use assets

During the half year ended 30 June 2021, the Group acquired right-of-use assets with an aggregate cost of \$575,512 (half year ended 30 June 2020: Nil).

13. Investment property

	Group	
	Unaudited 30 June 2021 \$	Audited 31 December 2020 \$
<u>At cost:</u>		
Balance at beginning of reporting period	138,254	138,005
Currency translation differences	(2,015)	249
Balance at end of reporting period	<u>136,239</u>	<u>138,254</u>
<u>Accumulated depreciation:</u>		
Balance at beginning of reporting period	65,333	62,119
Depreciation charge	1,537	3,093
Currency translation differences	(960)	121
Balance at end of reporting period	<u>65,910</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>70,329</u>	<u>72,921</u>
<u>Fair value:</u>		
Fair value at end of reporting period	<u>307,592</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 \$221 –\$227.

14. Inventories

	Group		Company	
	Unaudited 30 June 2021 \$	Audited 31 December 2020 \$	Unaudited 30 June 2021 \$	Audited 31 December 2020 \$
Finished/trading goods	<u>29,424,204</u>	<u>24,374,512</u>	<u>16,457,839</u>	<u>10,698,800</u>

Inventories are stated after allowance. The allowance as at 30 June 2021 amounted to \$4,223,294 (31 December 2020: \$4,058,974) and \$1,340,000 (31 December 2020: \$1,351,000) for the Group and the Company respectively.

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

15. Trade and other receivables

	Group		Company	
	Unaudited 30 June 2021 \$	Audited 31 December 2020 \$	Unaudited 30 June 2021 \$	Audited 31 December 2020 \$
<i>Current :</i>				
<u>Trade receivables:</u>				
Non-related parties	27,426,983	23,975,113	8,649,984	7,268,617
Subsidiaries	–	–	8,871,812	6,788,260
Associated company	53,800	35,306	45,293	35,306
Related party	–	87,903	–	–
Less: allowance for impairment – non-related parties	(535,479)	(479,178)	(27,659)	(35,027)
Less: allowance for impairment – subsidiaries	–	–	(1,925,000)	(1,925,000)
Net trade receivables – subtotal	<u>26,945,304</u>	<u>23,619,144</u>	<u>15,614,430</u>	<u>12,132,156</u>
<u>Other receivables:</u>				
Loan to subsidiaries	–	–	4,415,453	4,522,716
Subsidiaries	–	–	2,005,726	1,711,750
Associated company	33,476	–	33,476	–
Non-related parties	325,477	616,433	68,388	100,599
Less: allowance for impairment - subsidiaries	–	–	(2,215,000)	(2,215,000)
Net other receivables – subtotal	<u>358,953</u>	<u>616,433</u>	<u>4,308,043</u>	<u>4,120,065</u>
Total net trade and other receivables - current	<u>27,304,257</u>	<u>24,235,577</u>	<u>19,922,473</u>	<u>16,252,221</u>
<i>Non-current:</i>				
<u>Other receivables:</u>				
Loan to subsidiaries	–	–	1,700,390	1,824,630
Total other receivables – non-current	<u>–</u>	<u>–</u>	<u>1,700,390</u>	<u>1,824,630</u>
Total trade and other receivables	<u>27,304,257</u>	<u>24,235,577</u>	<u>21,622,863</u>	<u>18,076,851</u>

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

16. Financial assets at fair value through profit and loss

	Group		Company	
	Unaudited 30 June 2021 \$	Audited 31 December 2020 \$	Unaudited 30 June 2021 \$	Audited 31 December 2020 \$
At fair value:				
Listed equity securities – Singapore (Level 1)	550,000	350,000	550,000	350,000
Forward foreign exchange contracts (Level 2)	43,239	4,338	–	–
Total financial assets at fair value through profit or loss	<u>593,239</u>	<u>354,338</u>	<u>550,000</u>	<u>350,000</u>

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

17. Share capital

	Group and Company No of shares issued	Share capital \$
Ordinary shares of no par value:		
Balance at 1 January 2021 and 30 June 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 financial year reported on being 31 December 2020.

There were no unissued shares in the capital of the Company reserved for the exercise of any option nor were there any treasury shares as at the end of the reporting periods ended 30 June 2021 and 30 June 2020.

There were no outstanding convertibles and subsidiary holdings as at the end of the reporting periods ended 30 June 2021 and 30 June 2020.

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

18. Borrowings

	Group		Company	
	Unaudited 30 June 2021 \$	Audited 31 December 2020 \$	Unaudited 30 June 2021 \$	Audited 31 December 2020 \$
<i>Current :</i>				
Bank overdraft (unsecured)	884,942	303,047	–	–
Bill payables (unsecured)	16,033,306	8,527,988	12,792,825	5,327,551
Short term bank loans (unsecured)	6,123,095	6,186,891	5,223,095	5,084,491
Long term bank loans (unsecured)	<u>375,000</u>	<u>125,000</u>	<u>375,000</u>	<u>125,000</u>
Unsecured sub-total	23,416,343	15,142,926	18,390,920	10,537,042
Bill payables (secured)	1,085,227	528,651	–	–
Short term bank loans (secured)	1,781,084	937,801	–	–
Long term bank loans (secured)	<u>–</u>	<u>180,837</u>	<u>–</u>	<u>–</u>
Secured sub-total	2,866,311	1,647,289	–	–
Current, total	<u>26,282,654</u>	<u>16,790,215</u>	<u>18,390,920</u>	<u>10,537,042</u>
<i>Non-current:</i>				
Long term bank loans (unsecured)	1,625,000	1,875,000	1,625,000	1,875,000
Long term bank loans (secured)	<u>–</u>	<u>680,154</u>	<u>–</u>	<u>–</u>
Non-current, total	<u>1,625,000</u>	<u>2,555,154</u>	<u>1,625,000</u>	<u>1,875,000</u>
Total borrowings	<u>27,907,654</u>	<u>19,345,369</u>	<u>20,015,920</u>	<u>12,412,042</u>

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 in the half year ended 30 June 2021.

The secured bill payables and short term bank loans as at 30 June 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.

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

19. Trade and other payables

	Group		Company	
	Unaudited 30 June 2021 \$	Audited 31 December 2020 \$	Unaudited 30 June 2021 \$	Audited 31 December 2020 \$
<u>Trade payables:</u>				
Non-related parties	6,170,744	6,794,017	2,773,281	2,457,593
Associated company	1,323	49,439	1,323	1,199
Subsidiaries	—	—	539,860	322,306
Trade payables – subtotal	<u>6,172,067</u>	<u>6,843,456</u>	<u>3,314,464</u>	<u>2,781,098</u>
<u>Other payables:</u>				
Associated company	4,079	2,798	—	—
Subsidiaries	—	—	69,723	40,738
Loan from subsidiary	—	—	1,075,520	396,690
Advance payments from customers	198,975	204,110	2,982	—
Advance payments from subsidiary	—	—	404,318	667,072
Accrued liabilities	4,156,295	3,873,836	2,010,631	1,501,040
Deferred income	56,721	173,712	323,702	143,458
Other payables	2,296,127	2,434,304	969,746	948,098
Other payables – subtotal	<u>6,712,197</u>	<u>6,688,760</u>	<u>4,856,622</u>	<u>3,697,096</u>
Total trade and other payables	<u>12,884,264</u>	<u>13,532,216</u>	<u>8,171,086</u>	<u>6,478,194</u>

20. Financial liabilities at fair value through profit and loss

	Group		Company	
	Unaudited 30 June 2021 \$	Audited 31 December 2020 \$	Unaudited 30 June 2021 \$	Audited 31 December 2020 \$
<u>At fair value:</u>				
Forward foreign exchange contracts (Level 2)	9,472	166,511	—	12,352
Total financial liabilities at fair value through profit or loss	<u>9,472</u>	<u>166,511</u>	<u>—</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 30 June 2021	\$'000	\$'000	\$'000	\$'000
<u>Financial assets at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	43	–	43
Quoted equity shares in corporations	550	–	–	550
Total	550	43	–	593
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	9	–	9
Total	–	9	–	9
As at 31 December 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
<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
<u>Company</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
As at 30 June 2021	\$'000	\$'000	\$'000	\$'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	–	–	–	–
Total	–	–	–	–
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 30 June 2021 \$'000	Audited 31 December 2020 \$'000	Unaudited 30 June 2021 \$'000	Audited 31 December 2020 \$'000
<u>Financial assets</u>				
Financial assets at amortised cost	41,407	40,452	23,646	20,119
Financial assets at FVTPL	593	354	550	350
At end of the reporting period	<u>42,000</u>	<u>40,806</u>	<u>24,196</u>	<u>20,469</u>
<u>Financial liabilities</u>				
Financial liabilities at amortised cost	43,662	35,277	28,564	19,223
Financial liabilities at FVTPL	9	167	–	12
At end of the reporting period	<u>43,671</u>	<u>35,444</u>	<u>28,564</u>	<u>19,235</u>

23. Contingent liabilities

	Company	
	Unaudited 30 June 2021 \$'000	Audited 31 December 2020 \$'000
Undertaking to provide continuing financial support to subsidiaries with net liabilities amounted to:		
MG Chemicals (Australia) Pty Ltd	2,940	3,032
Megachem Middle East FZE	383	567
Megachem Speciality Chemicals (I) Private Limited	156	189
Corporate guarantee provided to banks on subsidiaries' loans payable	<u>7,891</u>	<u>6,933</u>

24. Related party transactions

	Group unaudited half year ended 30 June	
	2021 \$	2020 \$
<u>Associated companies</u>		
Sales of inventories	253,612	217,904
Purchases of inventories	<u>(38,601)</u>	<u>(21,473)</u>
<u>Related parties</u>		
Purchases of inventories(a)	<u>(22,058)</u>	<u>(48,923)</u>

(a) Purchases of inventories from SPCI Pte. Ltd., a company who has a common director with the Company.

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 and no purchase from Chori Co., Ltd and its corporation under shareholders' mandate pursuant to Rule 920 for the half year ended 30 June 2021.

Name of interested person	Aggregate value of all interested person transactions during the financial period ended 30 June 2021 under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the financial period ended 30 June 2021 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Sales of products to Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	Nil	Nil
Purchase of products from Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations	Nil	Nil

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

25. Financial information by operating segments

	<u>Singapore</u>	<u>Malaysia</u>	<u>United Kingdom</u>	<u>China</u>	<u>Vietnam</u>	<u>Others</u>	<u>Unallocated</u>	<u>Group</u>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
For the reporting period								
30 June 2021								
Sales								
Total sales by segment	30,941	8,147	11,831	7,014	1,896	13,905	-	73,734
Inter-segment sales	(4,937)	(272)	(1,294)	(1,222)	(9)	(91)	-	(7,825)
	<u>26,004</u>	<u>7,875</u>	<u>10,537</u>	<u>5,792</u>	<u>1,887</u>	<u>13,814</u>	<u>-</u>	<u>65,909</u>
Segment result	1,650	1,281	331	253	217	328	-	4,060
Interest income - bank							54	54
Finance costs							(371)	(371)
Share of profit of associated companies							827	827
Profit before income tax							510	4,570
Income tax expense							(791)	(791)
Net profit	<u>1,650</u>	<u>1,281</u>	<u>331</u>	<u>253</u>	<u>217</u>	<u>328</u>	<u>(281)</u>	<u>3,779</u>
Other segment items								
Capital expenditure	112	2,540	-	-	-	56	-	2,708
Depreciation	<u>329</u>	<u>57</u>	<u>55</u>	<u>45</u>	<u>20</u>	<u>103</u>	<u>-</u>	<u>609</u>
	<u>Singapore</u>	<u>Malaysia</u>	<u>United Kingdom</u>	<u>China</u>	<u>Vietnam</u>	<u>Others</u>	<u>Unallocated</u>	<u>Group</u>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Segment assets	39,076	16,112	7,649	5,283	3,936	18,332	-	90,388
Associated companies							7,627	7,627
Deferred tax assets							535	535
Interest earning cash balances							3,243	3,243
Consolidated total assets	<u>39,076</u>	<u>16,112</u>	<u>7,649</u>	<u>5,283</u>	<u>3,936</u>	<u>18,332</u>	<u>11,405</u>	<u>101,793</u>
Segment liabilities	(8,945)	(531)	(2,914)	(764)	(219)	(2,647)	-	(16,020)
Borrowings							(27,908)	(27,908)
Current income tax liabilities							(461)	(461)
Deferred income tax liabilities							-	-
Consolidated total liabilities	<u>(8,945)</u>	<u>(531)</u>	<u>(2,914)</u>	<u>(764)</u>	<u>(219)</u>	<u>(2,647)</u>	<u>(28,369)</u>	<u>(44,389)</u>

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

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

	<u>Singapore</u>	<u>Malaysia</u>	<u>United Kingdom</u>	<u>China</u>	<u>Vietnam</u>	<u>Others</u>	<u>Unallocated</u>	<u>Group</u>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
For the reporting period								
30 June 2020								
Sales								
Total sales by segment	23,706	5,734	8,204	5,667	2,793	12,010	-	58,114
Inter-segment sales	(3,233)	(201)	(789)	(1,750)	(38)	(86)	-	(6,097)
	<u>20,473</u>	<u>5,533</u>	<u>7,415</u>	<u>3,917</u>	<u>2,755</u>	<u>11,924</u>	<u>-</u>	<u>52,017</u>
Segment result	1,720	369	170	57	284	100	-	2,700
Interest income - bank							96	96
Finance costs							(425)	(425)
Share of profit of associated companies							886	886
Profit before income tax							557	3,257
Income tax expense							(437)	(437)
Net profit	<u>1,720</u>	<u>369</u>	<u>170</u>	<u>57</u>	<u>284</u>	<u>100</u>	<u>120</u>	<u>2,820</u>
Other segment items								
Capital expenditure	90	370	12	1	1	20	-	494
Depreciation	<u>327</u>	<u>80</u>	<u>48</u>	<u>44</u>	<u>22</u>	<u>105</u>	<u>-</u>	<u>626</u>
	<u>Singapore</u>	<u>Malaysia</u>	<u>United Kingdom</u>	<u>China</u>	<u>Vietnam</u>	<u>Others</u>	<u>Unallocated</u>	<u>Group</u>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Segment assets	31,248	12,255	4,351	4,328	3,386	17,651	-	73,219
Associated companies							7,269	7,269
Deferred tax assets							435	435
Interest earning cash balances							6,495	6,495
Consolidated total assets	<u>31,248</u>	<u>12,255</u>	<u>4,351</u>	<u>4,328</u>	<u>3,386</u>	<u>17,651</u>	<u>14,199</u>	<u>87,418</u>
Segment liabilities	(9,033)	(726)	(2,000)	(964)	(288)	(2,117)	-	(15,128)
Borrowings							(18,014)	(18,014)
Current income tax liabilities							(267)	(267)
Consolidated total liabilities	<u>(9,033)</u>	<u>(726)</u>	<u>(2,000)</u>	<u>(964)</u>	<u>(288)</u>	<u>(2,117)</u>	<u>(18,281)</u>	<u>(33,409)</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 period				
30 June 2021				
Sales				
Total sales by segment	63,522	2,754	-	66,276
Inter-segment sales	(77)	(290)	-	(367)
	<u>63,445</u>	<u>2,464</u>	<u>-</u>	<u>65,909</u>
Segment result	3,746	314	-	4,060
Interest income - bank			54	54
Finance costs			(371)	(371)
Share of profit of associated companies			<u>827</u>	<u>827</u>
Profit before income tax			510	4,570
Income tax expense			(791)	(791)
Net profit	<u>3,746</u>	<u>314</u>	<u>(281)</u>	<u>3,779</u>
Other segment items				
Capital expenditure	2,698	10	-	2,708
Depreciation	<u>464</u>	<u>145</u>	<u>-</u>	<u>609</u>
	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets	83,099	7,289	-	90,388
Associated companies			7,627	7,627
Deferred tax assets			535	535
Interest earning cash balances			<u>3,243</u>	<u>3,243</u>
Consolidated total assets	<u>83,099</u>	<u>7,289</u>	<u>11,405</u>	<u>101,793</u>
Segment liabilities	(14,259)	(1,761)	-	(16,020)
Borrowings			(27,908)	(27,908)
Current income tax liabilities			<u>(461)</u>	<u>(461)</u>
Consolidated total liabilities	<u>(14,259)</u>	<u>(1,761)</u>	<u>(28,369)</u>	<u>(44,389)</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 period				
30 June 2020				
Sales				
Total sales by segment	50,464	1,826	-	52,290
Inter-segment sales	(11)	(262)	-	(273)
	<u>50,453</u>	<u>1,564</u>	<u>-</u>	<u>52,017</u>
Segment result	2,463	237	-	2,700
Interest income - bank			96	96
Finance costs			(425)	(425)
Share of profit of associated companies			<u>886</u>	<u>886</u>
Profit before income tax			557	3,257
Income tax expense			<u>(437)</u>	<u>(437)</u>
Net profit	<u>2,463</u>	<u>237</u>	<u>120</u>	<u>2,820</u>
Other segment items				
Capital expenditure	489	5	-	494
Depreciation	<u>476</u>	<u>150</u>	<u>-</u>	<u>626</u>
	<u>Distribution</u> S\$'000	<u>Manufacturing</u> S\$'000	<u>Unallocated</u> S\$'000	<u>Group</u> S\$'000
Segment assets	66,176	7,043	-	73,219
Associated companies			7,269	7,269
Deferred tax assets			435	435
Interest earning cash balances			<u>6,495</u>	<u>6,495</u>
Consolidated total assets	<u>66,176</u>	<u>7,043</u>	<u>14,199</u>	<u>87,418</u>
Segment liabilities	(13,353)	(1,775)	-	(15,128)
Borrowings			(18,014)	(18,014)
Current income tax liabilities			<u>(267)</u>	<u>(267)</u>
Consolidated total liabilities	<u>(13,353)</u>	<u>(1,775)</u>	<u>(18,281)</u>	<u>(33,409)</u>

OTHER INFORMATION

AUDIT

The statements of financial position as at 30 June 2021 and the related consolidated statement of profit or loss, consolidated statement of comprehensive income, statements of changes in equity and consolidated statement of cash flows for the half year period then ended and the selected explanatory notes (the “Condensed Interim Financial Statements”) have not been audited or reviewed by the Company’s auditors.

REVIEW OF PERFORMANCE

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

Profitability Highlights	H1 2021	H1 2020	Variance H1 2021 vs H1 2020		H2 2020	Variance H1 2021 vs H2 2020	
			Fav/(Unfav)	%		Fav/(Unfav)	%
Sales (S\$'mil)	65.9	52.0	13.9	26.7%	53.2	12.7	23.8%
Gross profit (S\$'mil)	16.4	13.2	3.2	24.2%	13.3	3.1	23.2%
Gross profit margin	24.9%	25.4%	(0.5% pts)	na	25.0%	(0.1% pts)	na
Total operating expenses and finance costs (S\$'mil)	13.4	11.9	(1.5)	(12.7%)	12.2	(1.2)	(9.5%)
Other income (S\$'000)	730	1,051	(321)	(30.5%)	888	(158)	(17.8%)
Share of profit of associated companies (S\$'000)	827	886	(59)	(6.6%)	708	119	16.8%
Profit before income tax (S\$'mil)	4.6	3.3	1.3	40.3%	2.7	1.9	70.4%
Net profit (S\$'mil)	3.8	2.8	1.0	34.0%	2.4	1.3	55.0%
Net profit margin	5.7%	5.4%	0.3% pts	na	4.6%	1.1% pts	na
EBITDA (S\$'mil)	5.5	4.2	1.3	30.5%	3.5	2.0	56.9%
EBITDA margin	8.3%	8.1%	0.2% pts	na	6.6%	1.7% pts	na
Earnings per share attributable to the equity holders of the Company (cents)	2.83	2.03	0.80	39.4%	1.82	1.01	55.5%
Annualised return on equity (ROE)	13.8%	10.6%	3.2% pts	na	9.3%	4.5% pts	na

na : not applicable

Please refer to the following sections for a more detailed review of our performance for the first half of 2021 (“H1 2021”).

REVIEW OF PERFORMANCE (cont'd)

Profitability Review

(a) Sales

	H1 2021 S\$'000	H1 2020 S\$'000	Variance Fav/(Unfav) H1 2021 vs H1 2020		H2 2020 S\$'000	Variance Fav/(Unfav) H1 2021 vs H2 2020	
			S\$'000	%		S\$'000	%
ASEAN	39,122	33,161	5,961	18.0	32,351	6,771	20.8
North Asia	7,670	5,655	2,015	35.6	7,107	563	7.9
Europe	8,292	5,044	3,248	64.4	4,534	3,758	82.9
Australia	4,355	2,309	2,046	88.6	3,072	1,283	41.8
Middle East	3,665	3,456	209	6.0	3,030	635	21.0
South Asia	2,660	1,993	667	33.5	2,960	(300)	(10.1)
America	131	387	(256)	(66.1)	140	(9)	(6.4)
Africa	14	12	2	17.5	27	(13)	(48.1)
Total	65,909	52,017	13,892	26.7	53,221	12,688	23.8

Geographic Segment Sales Analysis

H1 2021 vs H2 2020

With the resumption of global economic activities, demand for chemicals surged in H1 2021. Recovery was the strongest from ASEAN which recorded a jump in sales of \$6.8 million or 20.8% over second half of 2020 ("H2 2020"). Sales to Europe and Australia markets performed better as well, recording an increase of \$3.8 million or 82.9% and \$1.3 million or 41.8% respectively as compared to H2 2020. Sales to North Asia and Middle East markets increased by a smaller magnitude of \$0.6 million each.

On the other hand, sales to South Asia decreased by \$0.3 million or 10.1% over H2 2020.

This resulted in an increase in total sales of 23.8% to \$65.9 million in H1 2021 vis-à-vis sales of \$53.2 million in H2 2020. Sales registered for H1 2021 was even higher than pre-pandemic level.

H1 2021 vs H1 2020

As compared to first half of 2020 ("H1 2020") when global economic activities were curtailed because of COVID-19, total sales increased by \$13.9 million or 26.7%. Similar trends were noted across the various markets. Rebound was the strongest in ASEAN market followed by North Asia, Europe and Australia markets. Sales to ASEAN and Europe markets grew by \$6.0 million or 18.0% and \$3.2 million or 64.4% respectively while sales to North Asia and Australia markets picked up by \$2.0 million each.

Other markets such as Middle East and South Asia recorded smaller magnitude of growth of \$0.2 million and \$0.7 million respectively while lower sales of \$0.3 million were recorded in America market.

Business Activity Segment Sales Breakdown

	H1 2021 S\$'000	H1 2020 S\$'000	Variance Fav/(Unfav) H1 2021 vs H1 2020		H2 2020 S\$'000	Variance Fav/(Unfav) H1 2021 vs H2 2020	
			S\$'000	%		S\$'000	%
Distribution activity	63,445	50,454	12,991	25.7	51,314	12,131	23.6
Manufacturing activity	2,464	1,563	901	57.6	1,907	557	29.2
Total Sales	65,909	52,017	13,892	26.7	53,221	12,688	23.8

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(a) Sales (cont'd)

H1 2021 vs H2 2020

H1 2021 vs H1 2020

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

H1 2021 sales from distribution segments increased by \$12.1 million or 23.6% and \$13.0 million or 25.7% over H2 2020 and H1 2020 respectively.

Sales from the contract manufacturing segment improved by \$0.6 million or 29.2% and \$0.9 million or 57.6% vis-à-vis H2 2020 and H1 2020 respectively.

(b) Gross profit

H1 2021 vs H2 2020

H1 2021 vs H1 2020

The high freight costs in H1 2021 which resulted from a global shortage of shipping containers caused gross profit margin to dip slightly in H1 2021 as compared to H2 2020 and H1 2020.

However, following improved business conditions, we also recorded lower inventory write down of \$162,000 in H1 2021 as compared to \$450,000 in H2 2020 and \$441,000 in H1 2020. As a result, gross profit margin for H1 2021 (24.9%) was relatively unchanged as compared to H2 2020 (25.0%) and slightly lower as compared to H1 2020 (25.4%).

Because of higher sales achieved in H1 2021 over both H2 2020 and H1 2020, gross profit increased by \$3.1 million or 23.2% over H2 2020 and \$3.2 million or 24.2% year-on-year.

(c) Other income

	Variance Fav/(Unfav)				Variance Fav/(Unfav)		
	H1 2021	H1 2020	H1 2021 vs H1 2020		H2 2020	H1 2021 vs H2 2020	
	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	43	28	15	55.3	(23)	66	283.9
- listed equity security	200	27	173	627.3	100	100	100.0
Trade receivables recovered	168	100	68	68.3	265	(97)	(36.6)
Grant income	243	635	(392)	(61.7)	522	(279)	(53.4)
Interest income	54	96	(42)	(44.0)	95	(41)	(43.4)
Net foreign exchange gain	-	134	(134)	(100.0)	(82)	82	NM

NM : not meaningful

H1 2021 vs H2 2020

Other income in H1 2021 decreased by \$158,000 or 17.8% as compared to H2 2020. This was mainly due to lower grant income of \$279,000 which was mostly government grant to support business during this pandemic crisis, lower trade receivables recovered of \$97,000 and lower interest income of \$41,000.

The decrease was partly offset by higher fair value gains of \$166,000 arising from listed equity and forward exchange contracts and unfavourable net foreign exchange in H2 2020.

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(c) Other income (cont'd)

H1 2021 vs H1 2020

Similarly, other income was lower by \$321,000 or 30.5% year-on-year mainly due to lower grant income of \$392,000 and lower interest income of \$42,000. In H1 2021, net foreign exchange loss of \$216,000 was recorded under other operating expense as opposed to net foreign exchange gain of \$134,000 recorded in H1 2020 under other income.

The reduction was partly offset by higher fair value gains of \$188,000 arising from listed equity and forward exchange contracts and higher trade receivables recovered of \$68,000.

(d) Operating expenses

			Variance Fav/(Unfav)		Variance Fav/(Unfav)		
	H1 2021	H1 2020	H1 2021 vs H1 2020	H2 2020	H1 2021 vs H2 2020		
	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	9	32	23	132	123	70.6	92.9
Impairment of trade receivables	81	54	(27)	19	(62)	(49.2)	(326.3)
Net foreign exchange loss	216	-	(216)	-	(216)	NM	NM
Professional fees	389	308	(81)	389	-	(26.1)	-
Warehouse storage charges	1,284	1,273	(11)	1,305	21	(0.9)	1.6
Employee compensation	8,275	7,195	(1,080)	7,283	(992)	(15.0)	(13.6)

H1 2021 vs H2 2020

Total operating expenses for H1 2021 increased by \$1.1 million or 9.2% to \$13.0 million as compared to \$11.9 million for H2 2020.

The main reasons contributing to the increase were:

- (i) higher employee compensation of \$1.0 million in tandem with higher performance-related rewards and;
- (ii) net foreign exchange loss of \$0.2 million.

This was partly offset by lower fair value loss from forward contracts of \$0.1 million.

H1 2021 vs H1 2020

Similarly, total operating expenses for H1 2021 increased by \$1.6 million or 13.6% as compared to \$11.5 million for H1 2020 and the main reasons for the increase were higher employee compensation of \$1.1 million and net foreign exchange loss of \$0.2 million. Higher professional fees incurred were mainly related to the recoverability of bad debts and trade mark expenses.

A broad-spectrum increase in other operating expenses in H1 2021 was generally in line with higher business activities.

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

(e) Finance costs

Finance costs comprised the following:-

	H1 2021 S\$'000	H1 2020 S\$'000	Variance Fav/(Unfav) H1 2021 vs H1 2020		H2 2020 S\$'000	Variance Fav/(Unfav) H1 2021 vs H2 2020	
			S\$'000	%		S\$'000	%
Bills payables	195	163	(32)	(20.1)	98	(97)	(98.8)
Bank loans	82	192	110	57.2	121	39	32.3
Bank overdraft	20	-	(20)	NM	10	(10)	(90.3)
Leases for right-of-use assets	74	70	(4)	(5.8)	72	(2)	(4.1)
Total finance costs	371	425	54	12.6	301	(70)	(23.3)

H1 2021 vs H2 2020

H1 2021 vs H1 2020

Finance costs for H1 2021 increased by \$70,000 or 23.3% over H2 2020 mainly due to higher trade borrowings in H1 2021 to finance higher purchases.

Similarly, trade borrowings in H1 2021 increased over H1 2020 resulting in higher finance cost from bills payables. However, this was offset by reduction in bank loans. As such, total finance costs decreased by \$54,000 or 12.6% year-on-year.

(f) Share of profit of associated companies

H1 2021 vs H2 2020

Following improved global business conditions, our share of profit of associated companies increased by \$119,000 or 16.8% as compared to H2 2020.

H1 2021 vs H1 2020

Vis-à-vis H1 2020, our share of profit of associated companies decreased by \$59,000 or 6.6% as the profitability in H1 2020 was boosted by demand for cleaning chemicals.

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

H1 2021 vs H2 2020

Due to an increase in gross profit, profit before tax increased by \$1.9 million or 70.4%. Correspondingly, EBITDA of \$5.5 million was higher by \$2.0 million or 56.9% as compared to H2 2020.

In line with higher net profit before tax, income tax expense were higher by \$0.5 million or 225.7%. As a result, net profit after increased by \$1.3 million or 55.0% over H2 2020.

Excluding grant income, profit before tax would have increased by \$2.2 million or doubled and net profit after tax would be \$1.6 million or 83.6% higher.

REVIEW OF PERFORMANCE (cont'd)

Profitability Review (cont'd)

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

H1 2021 vs H1 2020

Similarly, profit before tax and EBITDA increased by \$1.3 million or 40.3% and 30.5% respectively as a result of higher gross profit achieved.

Net profit after tax increased by \$1.0 million or 34.0% as income tax expenses were higher by \$0.4 million.

Excluding grant income, profit before tax would have increased by \$1.7 million or 65.0% while and net profit after tax would be \$1.3 million or 61.4% 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 recorded for H1 2021 of \$0.3 million was largely due to the depreciation of Thai Baht and Malaysian Ringgit against Singapore Dollar.

H1 2021 vs H2 2020

As translation losses for H1 2021 at \$0.3 million were lower than translation losses in H2 2020 of \$0.5 million, comprehensive income for H1 2021 increased by \$1.5 million or 77.4% to \$3.4 million as compared to H2 2020.

H1 2021 vs H1 2020

Year-on-year, comprehensive income for H1 2021 increased by \$0.5 million or 16.0% due to translation losses of \$0.3 million incurred in H1 2021 as opposed to translation gains recorded in H1 2020 of \$0.2 million.

Financial Position Review

Financial Position Highlights	As at		Variance 30 June 2021 vs 31 December 2020 Fav/(Unfav)
	30 June 2021	31 December 2020	
Cash (S\$'mil)	14.1	16.2	(2.1)
Borrowings (S\$'mil)	27.9	19.3	(8.6)
Current ratio (times)	1.9	2.2	(0.3)
Gearing ratio (times)	0.51	0.37	(0.14)
Net assets per share attributable to equity holders of the Company (cents)	40.88	39.33	1.55
Inventory turnover (days)	114	133	19
Trade receivables turnover (days)	71	80	9
Trade payable turnover (days)	22	34	(12)

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 \$2.2 million from \$12.7 million as at 31 December 2020 to \$14.8 million as at 30 June 2021. The increase was due to additional capital expenditure of \$2.7 million, out of which \$2.5 million relate to construction of our warehouse in Malaysia, offset by depreciation charge of \$0.4 million for the current period.

(j) Right-of-use assets

The carrying value of right-of-use assets increased by \$0.3 million from \$2.7 million as at 31 December 2020 to \$3.0 million as at 30 June 2021 mainly due to new lease assets recognised of \$0.6 million offset by depreciation charge of \$0.2 million in the current period.

(k) Investment in associated companies

There was no significant change in the carrying value of our associated companies as at 30 June 2021 and 31 December 2020. The positive contribution from operation in the current period of \$0.8 was offset by dividend return of \$0.4 million and translation loss of \$0.4 million.

(l) Trade and other receivables

Net third party trade receivables increased by \$3.4 million or 14.5% from \$23.5 million as at 31 December 2020 to \$26.9 million as at 30 June 2021. The increase was because of higher sales in H1 2021 as compared to H2 2020. Turnover days improved by 9 days from 80 days for the full year of 2020 to 71 days for H1 2021.

(m) Inventories

Inventories increased by \$5.0 million or 20.7% from \$24.4 million as at 31 December 2020 to \$29.4 million as at 30 June 2021. The increase in inventory was due to higher level of purchases to meet the increased in sales. Inventory turnover days improved by 19 days from 133 days for the full year of 2020 to 114 days for H1 2021.

(n) Other current assets

Other current assets increased by \$1.8 million or 69.9% to \$4.3 million as at 30 June 2021 primarily due to higher advance payments to vendors of \$1.5 million in tandem with higher purchases in H1 2021 and higher prepayments of \$0.3 million.

(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 \$239,000 as a result of fair value gain from listed equity of \$200,000 and favorable forward foreign exchange contracts recorded in H1 2021.

Financial liabilities at fair value through profit or loss were not significant as at 30 June 2021 and 31 December 2020.

REVIEW OF PERFORMANCE (cont'd)

Financial Position Review (cont'd)

(p) Trade and other payables

Total trade payables decreased by \$0.7 million or 15.1% from \$6.8 million as at 31 December 2020 to \$6.2 million as at 30 June 2021 as higher purchases in H1 2021 were mostly financed by trade borrowings. Turnover days shorten to 22 days as compared to 34 days for the full year of 2020.

Other payables in aggregate consisting of accrued operating expenses, advance payments from customer and sundry payables remained relatively unchanged at \$6.7 million.

(q) Financial liabilities - lease liabilities

The carrying value of lease liabilities increased from \$2.8 million as at 31 December 2020 to \$3.1 million as at 30 June 2021. This was due to additional lease liabilities recognised of \$0.6 million and accretion of interest of \$74,000 offset by repayment of lease liabilities of \$0.3 million in H1 2021.

(r) Borrowings

Total borrowings increased by \$8.6 million or 44.3% from \$19.3 million as at 31 December 2020 to \$27.9 million as at 30 June 2021. This increase was mainly in trade borrowings to finance higher level of purchases.

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 30 June 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 40.88 cents as at 30 June 2021 primarily due to total comprehensive income recorded for equity holders for the current period of \$3.4 million less dividend payment of \$1.3 million.

Cashflow Review

Negative cash flow from operating activities of \$6.5 million was generated in H1 2021 despite recording net profit after tax of \$3.8 million in H1 2021. This was due to higher working capital requirements (ie higher trade receivables, higher purchases of inventory, higher advance payments to vendors) corresponding to an increase in business activities. The higher working capital requirements were financed through trade borrowings.

Other major cash outflows in H1 2021 were payments for property, plant and equipment of \$2.6 million.

As such, overall cash and cash equivalents decreased by \$2.7 million from \$15.9 million as at 31 December 2020 to \$13.2 million as at 30 June 2021.

RISK

We believe the imminent risks to our financial performance in the second half of year 2021 ("H2 2021") are as follows:

COVID-19 & the Global Economy

Vaccination against COVID-19 is picking up pace and economic recovery has advanced globally. However the resurgence of COVID-19 variants remains a threat to economic recovery. In addition, political tension between the two major economic powers of the world remains unabated. Any tapering of government stimulus may also dampen global growth. Inevitably, the impact will be felt in the chemical industry which will 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 containers in recent months, driving up product prices and shipping cost. This may put a cap on growth for chemical industry until the supply-demand imbalances and supply of container 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 are not immune to oil price fluctuations but, in contrast to bulk chemicals, it is less susceptible 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, any rise in interest rates in the future 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 very supportive even during this health and economic crisis.

PROSPECTS

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

Outlook for H2 2021

The emergence of new variants of COVID-19 virus has led to infection rate in some countries surging again, thereby threatening to hinder economic recovery. On the political front, the on-going US-China tension and concerns over tapering of government stimulus may pose risk to global economic recovery.

However continued government stimulus has provided the liquidity and a low interest rate environment for economy to recover from the pandemic. Gradual easing of lockdown measures in some countries have revived some business activities and positive developments in vaccination against COVID-19 virus has raised hopes that the world can put the COVID pandemic under control. Moreover macro indicators and sentiments in recent months have also improved.

Even though economic recovery is advancing globally, the pace and extent of it is still contingent on developments of the COVID-19 situation. As the pandemic remains in a state of flux, economic recovery is likely to remain gradual and uneven.

On the back of improved business sentiments, the chemical industry is also seeing an uptick in activities along with firmer chemical prices even though current supply shortage and high freight cost may cap its growth.

For Megachem, we are positioning ourselves for the next phase of growth while keeping an eye on possible obstacles to the recovery. We will remain steadfast in executing our strategy of providing solutions to our customers across a diversified portfolio of industries. This entails building our strategy around an Asia-centric market, deepening our presence in high growth industries and maintaining a diversified business model.

DIVIDEND

(a) Current financial year reported on

Any interim dividend declared for the financial period ended? Yes

The directors are pleased to declare an interim tax exempt dividend of 0.8 cent per share in respect of the financial period ended 30 June 2021 as follows:

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

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the immediately preceding financial period ended 30 June 2020? Yes

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

(c) Date payable

The interim tax exempt dividend of 0.8 cent per share in respect of the financial period ended 30 June 2021 will be paid on 28 September 2021.

(d) Record date

The Share Transfer Books and Register of Members of the Company will be closed on 7 September 2021 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 6 September 2021 (the "Record Date") will be registered to determine member's entitlements to the proposed dividend.

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

Payment of the interim tax exempt dividend of 0.8 cent per share will be made on 28 September 2021.



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

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

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

There were no acquisitions or realization of shares nor incorporation of any new subsidiary or associated company by the Company or any of the Group entities during H1 2021.

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

I, Chew Choon Tee, being the Managing Director of Megachem Limited, do hereby confirm on behalf of the Board of Directors that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited results for the half year ended 30 June 2021 to be false or misleading in any material aspects and the financial statements are in compliance with relevant accounting standards.

On behalf of the Board of Directors

Chew Choon Tee
Managing Director

12 August 2021