



**MultiChem**  
*The Hole Solution Provider*



**.powering**

Your Cyber Security  
& Network Performance

ANNUAL REPORT 2020



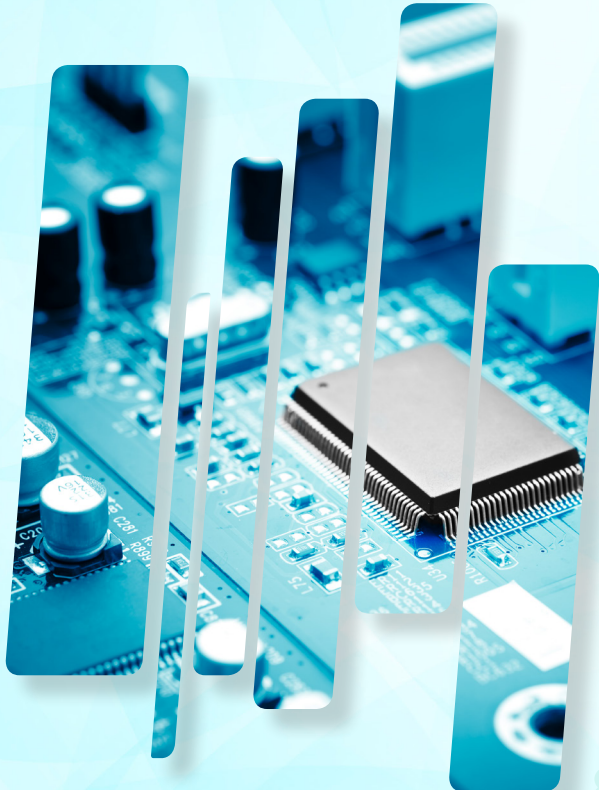
# CONTENTS

<b>01</b>	Definitions	<b>36</b>	Operations Review	<b>49</b>	Financial Review
<b>02</b>	Corporate Profile	<b>38</b>	Prospects and Future Plan	<b>55</b>	Value Added Statement
<b>03</b>	Corporate Data	<b>41</b>	Significant Events	<b>56</b>	Investor Relations
<b>04</b>	Board of Directors	<b>42</b>	Financial Calendar	<b>57</b>	Corporate Governance Report
<b>06</b>	Management Team	<b>43</b>	Group Structure	<b>82</b>	Corporate Directory
<b>08</b>	Letter to Shareholders	<b>44</b>	Financial Highlights	<b>85</b>	Financial Contents
<b>13</b>	Sustainability Report				

## THE MULTI-CHEM GROUP'S BUSINESS

Multi-Chem has been engaged as a value added supplier to PCB manufacturers for more than three decades.

Multi-Chem, through the M.Tech Group, has been engaged in the distribution of IT products since 2002. The M.Tech Group is a leading regional cyber security and network performance products value added distributor, carrying best-of-breed products from industry leading vendors and with a presence in 29 cities in 15 countries. Today, this is the main business for the Group and contributes more than 99% to the Group's revenue.



# DEFINITIONS

In this Annual Report, the following definitions apply throughout where the context so admits:

“Group”	The Company and its subsidiaries
“Multi-Chem” or “Company”	Multi-Chem Limited
“M.Tech”	One or more of the M.Tech / M-Security / E-Secure companies
“E-Secure”	One or more of the E-Secure companies

## SUBSIDIARIES

“E-Secure Malaysia”	E Fortify Asia Sdn. Bhd.
“E-Secure Singapore”	E-Secure Asia Pte. Ltd.
“E-Secure Thailand”	E-Secure Asia Co., Ltd.
“M.SaaS Solutions”	M.SaaS Solutions Pte. Ltd.
“M.SaaS Lanka”	M.SaaS Lanka (Private) Limited
“M.Tech Australia”	M.Tech Products Aust Pty Limited
“M.Tech Holdings”	M.Tech Holdings Pte. Ltd.
“M.Tech Hong Kong”	M.Tech Products (HK) Pte Limited
“M.Tech India”	M.Tech Solutions (India) Private Limited
“M.Tech Indochina”	M-Security Technology Indochina Pte. Ltd.
“M.Tech Indonesia”	PT. M.Tech Products
“M.Tech Japan”	M.Tech Products Japan Kabushiki Kaisha
“M.Tech Korea”	M.Tech Products Korea Limited Liability Company
“M.Tech Malaysia”	M-Security Technology Sdn. Bhd.
“M.Tech Myanmar”	M.Tech Products Myanmar Ltd.
“M.Tech New Zealand”	M.Tech Products New Zealand Limited
“M.Tech Philippines”	M.Tech Products Philippines, Inc.
“M.Tech Shanghai”	M.Tech (Shanghai) Co., Ltd.
“M.Tech Singapore”	M.Tech Products Pte Ltd
“M.Tech Taiwan”	M.Tech Products TW Pte. Ltd.
“M.Tech Thailand”	M-Solutions Technology (Thailand) Co., Ltd.
“M.Tech UK”	M.Tech Products (UK) Pte Ltd
“M.Tech Vietnam”	M-Security Technology Vietnam Company Limited
“M-Security Philippines”	M-Security Tech Philippines Inc.
“Multi-Chem PCB Kunshan”	Multi-Chem PCB (Kunshan) Co., Ltd.
“SecureOneAsia”	SecureOneAsia Pte. Ltd.
“SecureOne India”	SecureOne India Holding Pte. Ltd.

## OTHER TERMS

“ARMC”	Audit and Risk Management Committee
“Board”	Board of Directors
“CNC”	Computer numeric controlled
“FY”	Financial year
“IT”	Information technology
“M”	Million
“NC”	Nominating Committee
“PAT”	Profit after tax
“PBT”	Profit before tax
“PCB”	Printed circuit board
“RC”	Remuneration Committee
“WAN”	Wide area network

# CORPORATE PROFILE

Multi-Chem is a distributor of specialty chemicals and materials to PCB manufacturers. Incorporated in 1985, Multi-Chem was listed on SESDAQ in January 2000 and upgraded to the Main Board of The Singapore Exchange in November 2000. In May 2002, we diversified into the business of IT distribution.

In May 2002, we diversified into the business of IT distribution where we focus on best-of-breed cyber security, WAN optimisation and network management products from industry leading vendors. We are a leading cyber security and network performance solutions provider and we selectively partner with market leading vendors who are established in their respective domains. Together, we cover a broad spectrum of today's security and network performance requirements.

Through Multi-Chem's subsidiaries under the M.Tech umbrella, our IT business has expanded in both product range and geographical coverage since inception and now spans Singapore, Australia, Greater China (including Hong Kong and Taiwan), India, Indonesia, Japan, Korea, Malaysia, Myanmar, New Zealand, Philippines, Sri Lanka, Thailand, United Kingdom and Vietnam.

We started IT training business in Singapore in late second quarter of 2004 to complement the IT distribution business. We are currently authorised to conduct training for Allot, Check Point and Symantec (a division of Broadcom) courses.

Today, the Group comprises the Company, 27 subsidiaries, 2 representative offices, 4 branches and 9 offices, with a staff strength of over 600.



# CORPORATE DATA

## BOARD OF DIRECTORS

Lim Keng Jin *Chairman*  
Foo Suan Sai *CEO*  
Han Juat Hoon  
Wong Meng Yeng  
Neo Mok Choon  
Foo Maw Shen  
Foo Fang Yong

## COMPANY SECRETARY

Chan Lai Yin

## AUDIT AND RISK MANAGEMENT COMMITTEE

Neo Mok Choon *Chairman*  
Lim Keng Jin  
Foo Maw Shen  
Wong Meng Yeng

## NOMINATING COMMITTEE

Wong Meng Yeng *Chairman*  
Foo Suan Sai  
Lim Keng Jin  
Foo Maw Shen  
Neo Mok Choon

## REMUNERATION COMMITTEE

Lim Keng Jin *Chairman*  
Wong Meng Yeng  
Neo Mok Choon  
Foo Maw Shen

## REGISTERED OFFICE

18 Boon Lay Way, #05-113,  
Tradehub 21 Singapore 609966  
Tel: (65) 6863 1318  
Fax: (65) 6863 1618

## SHARE REGISTRAR

M & C Services Private Limited  
112 Robinson Road #05-01  
Singapore 068902

## SHARE LISTING

The Company's shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited since November 2000

## INDEPENDENT AUDITOR

BDO LLP  
Public Accountants and  
Chartered Accountants  
600 North Bridge Road  
#23-01 Parkview Square  
Singapore 188778  
Partner-in-charge: Lee Kuang Hon  
Appointment since the financial year ended  
31 December 2020

## INTERNAL AUDITOR

Yang Lee & Associates  
10 Anson Road #31-03  
International Plaza  
Singapore 079903

## PRINCIPAL BANKERS

Citibank N.A.  
DBS Bank Ltd  
HSBC Limited  
United Overseas Bank Limited

## IR CONTACT

18 Boon Lay Way, #05-113,  
Tradehub 21 Singapore 609966  
Tel: (65) 6863 1318  
Fax: (65) 6863 1618  
E-mail: [irmultichem@multichem.com.sg](mailto:irmultichem@multichem.com.sg)

## GENERAL

For further information about Multi-Chem, please contact the secretariat at the registered office

E-mail:  
[salesmultichem@multichem.com.sg](mailto:salesmultichem@multichem.com.sg)  
[sales@mttechpro.com](mailto:sales@mttechpro.com)

Websites:  
<http://www.multichem.com.sg>  
<http://www.mtechpro.com>

# BOARD OF DIRECTORS



Han Juat Hoon

Foo Suan Sai

Lim Keng Jin

Wong Meng Yeng

Foo Maw Shen

Foo Fang Yong

Neo Mok Choon

# BOARD OF DIRECTORS

## Lim Keng Jin

*Chairman, Independent Director, Chairman of RC,  
Member of ARMC and NC*

Mr Lim was appointed as a Director of the Company in April 2005. He was a Fellow of the Institute of Chartered Accountants of England and Wales, and had worked as an auditor and accountant before he moved out into the stock brokering industry. He was a Director of a local stock brokering company, and retired from it when that company was sold. Today Mr Lim is working as a Dealer Representative.

## Foo Suan Sai

*Chief Executive Officer and Member of NC*

Mr Foo, one of the founding shareholders of Multi-Chem, has more than 30 years of experience in the PCB industry, of which the last 32 years were spent building up the Company. Mr Foo is currently responsible for the overall direction and development of the Group. He holds a Diploma in Chemical Process Technology from the Singapore Polytechnic and a Diploma in Management Studies from the Singapore Institute of Management.

## Han Juat Hoon

*Chief Operating Officer*

Mdm Han is a founding shareholder of Multi-Chem. She has been a Director of the Company since 1987 and commenced working in an executive capacity with the Company in 1992. Mdm Han is well versed in factory operations, having held the appointment of factory manager with a chemical company for 12 years from 1980 to 1992. She is responsible for the overall operations of the Group. Mdm Han holds a Diploma in Chemical Process Technology from the Singapore Polytechnic and a Diploma in Management Studies from the Singapore Institute of Management.

## Wong Meng Yeng

*Independent Director, Chairman of NC,  
Member of ARMC and RC*

Mr Wong was appointed as a Director in January 2000. He has been an advocate and

solicitor in Singapore for 37 years, with the past 31 years spent as a corporate lawyer. He holds a Bachelor of Law (Hons) degree from the National University of Singapore. He is currently a director in Alliance LLC, a law corporation he co-founded.

## Neo Mok Choon

*Independent Director, Chairman of ARMC,  
Member of NC and RC*

Mr Neo was appointed as a Director in August 2012. He has more than 20 years of experience in the PCB industry. He holds a Bachelor of Engineering (Chemical) degree from the National University of Singapore and was Vice President (Operations, Asia Pacific) of Bredero Shaw (Singapore) Pte Ltd.

## Foo Maw Shen

*Independent Director, Member of ARMC, NC and RC*

Mr Foo was appointed as a Director in July 2014. He has over 27 years of extensive experience in commercial litigation, with particular emphasis on restructuring, insolvency litigation, shareholders' disputes, commercial fraud, trust laws and international trade disputes. He is currently a senior partner in Dentons Rodyk & Davidson LLP's Litigation & Arbitration Practice Group and is actively involved in the firm's China Practice.

## Foo Fang Yong

*Executive Director, General Manager*

Mr Foo was appointed as a Director in May 2015. Mr Foo joined the Company's subsidiary, M.Tech Products Ptd Ltd in Year 2011 as an I-Security Engineer after completing his Honours Degree in Bachelor of Engineering (Computer Engineering) from National University of Singapore. He subsequently moved to the position of Product Manager in May 2012. At the same time, he attained RSA SecurID Certified Systems Engineer in Year 2011 and Blue Coat Certified ProxySG Professional, Sourcefire Certified Expert (SFCE) v5 and Riverbed Certified Solutions Professional WAN Optimization in Year 2012.

# MANAGEMENT TEAM



Koh Henry

Pui Boon Tiong Eugene

Lim Kok Soon Rayson

Goh Tian Keong Winston



# MANAGEMENT TEAM

## Koh Henry

*Business Development Manager*

Mr Koh holds a Bachelor's degree in Mechanical & Production Engineering from the Nanyang Technological University. He joined the Company as a Service Engineer in May 2000 after completing his university education. He was promoted from QA & Process Manager to Senior Manager (Operations) in November 2005, overseeing the operation in the Manufacturing Services Division, which include quality assurance and production. He is currently involved in the Business Development for the IT business in Singapore.

## Pui Boon Tiong Eugene

*Regional Director*

Mr Pui worked as an engineer with local PCB manufacturers, Motorola Electronics Pte Ltd and WUS Printed Circuits Pte Ltd prior to joining the Company in December 1999. He worked his way up in Multi-Chem from Assistant Production Manager to Operations Manager before being named Regional Director. He currently oversees business development for various countries within IT business.

## Lim Kok Soon Rayson

*Chief Financial Officer*

Mr Lim has been with the Company since March 2002, where he joined as an accountant and was promoted to Financial Controller and subsequently Chief Financial Officer, a position he currently holds. He is in-charge of the Group's financial reporting, finance and tax functions and works closely with internal and external auditors, tax agent and the bankers in performing his role.

## Goh Tian Keong Winston

*Regional Director of China*

Mr Goh has been responsible for the IT business development of M.Tech business in China for the past 16 years. He was promoted to Regional Director of China and is responsible for the IT business development in China. Prior to joining Multi-Chem in Year 2004, he worked in various IT companies for 6 years. He started as Senior Network Specialist and progressed to Senior Business Development Manager.

# LETTER TO SHAREHOLDERS

The Group's revenue achieved new heights in year 2020 as we brought in \$480M in revenue, an increase of \$24M, as compared to \$456M in year 2019. This boost in the Group's performance was mainly due to the continued expansion of the Group's IT arm, the increase in spending by corporations and government on cyber security products in year 2020.

## The Group's Financial Performance

The Group recorded revenue of \$480M in 2020, which was 5% more than \$456M achieved in 2019.



**Revenue \$480M in 2020 5% growth from 2019. As at 31 December 2020, the Group has 7 CNC drilling machines.**



**Foo Suan Sai**  
*Chief Executive Officer*

# LETTER TO SHAREHOLDERS

The increase in Group's revenue for the year was mainly due to the positive contributions from IT business, arising from the increased reliance on digital technologies during COVID-19 pandemic.

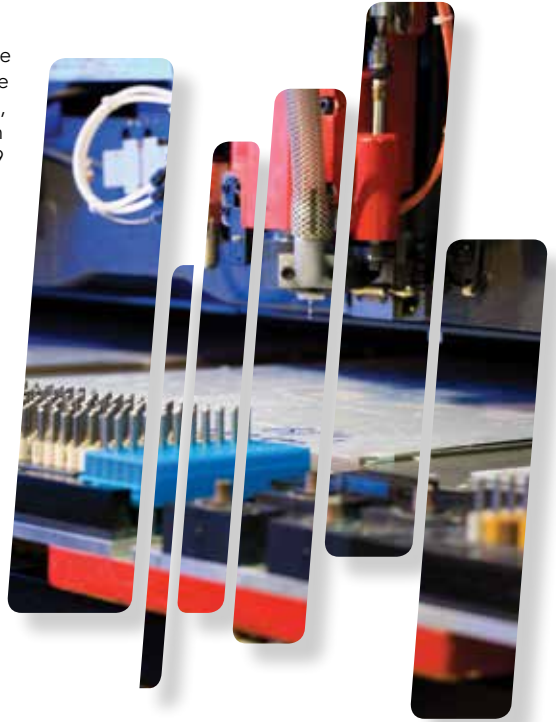
Revenue from the PCB business accounted for less than 1% of Group's revenue in 2020. The PCB business decreased by 8% as compared to 2019, primarily due to the significantly reduced production capacity, following the disposal of machines in Singapore.

As of 31 December 2020, the Group had 7 CNC drilling machines in Singapore.

With the significant reduction in the number of machines, contribution from this manufacturing division is expected to erode further in the year 2021.

Comparing revenue by geographical segments, 37% of the Group's revenue in 2020 was derived from Singapore, a decrease from 40% in 2019. Of the remaining 63%, Australia accounted for 10%, Greater China accounted for 13% and the rest of the regions accounted for the remaining 40%.

The Group recorded a profit before tax of \$25.8M in 2020 compared to \$14.6M in 2019, an increase of 77%. On an after-tax basis, the Group recorded a profit of \$19.6M in 2020 as compared to \$9.8M in 2019. On a weighted average basis, the Group's earnings per share increased from 8.70 cents in 2019 to 19.73 cents in 2020. The increase in profit is mainly due to the increase in gross profit in correspond to the increase in sales and higher gross profit margin, the government grant received for the COVID-19 pandemic and net foreign exchange gain in 2020.



## Financial Position

As of 31 December 2020, the net working capital of the Group stood at \$107M, compared to \$95M as at 31 December 2019. This included cash and bank balances of \$78M. Shareholders' funds and net asset value per share stood at approximately \$115M and 127 cents respectively as at 31 December 2020.

“  
**As of 31 December 2020, the net working capital of the Group stood at \$107M compared to \$95M as at 31 December 2019.**  
”

# LETTER TO SHAREHOLDERS



The Directors are pleased to recommend a final tax exempt (one-tier) dividend of 6.60 cents (Singapore) per ordinary share for 2020.



**The IT business contributed \$478M of Group's revenue in 2020 and this business is expected to deliver more in 2021.**



**Lim Keng Jin**  
Group Chairman

# LETTER TO SHAREHOLDERS

## Business Outlook

The IT business was the Group's main business in 2020, accounting for 99% of the Group's revenue. This business commenced in 2002 and is marketed under the M.Tech brand. We expect the IT business to remain the Group's main business in the near future as corporations and policy makers increasingly recognize the need to strengthen their cybersecurity infrastructure. We are optimistic that this will augur well for the Group, given our wide geographical coverage and strategy of promoting cutting edge IT products.

The Group will continue to focus on growing the IT business. Economic and political conditions are still key factors in determining the level of IT spending. The IT business contributed \$478M of Group's revenue in 2020 and this business is expected to deliver more in 2021.

The Group will continue to focus on the distribution of only the top names in IT security products, and will continue to look for suitable products to add to its range.

While IT security continues to be the main focus of M.Tech, the Group also carries complementary products in the areas of WAN optimization and network management. It will continue to rationalize and be selective of its existing IT product range. Besides the IT products distributed by the Group, the Group is also authorized to provide certified IT training courses for Allot, Check Point and Symantec (a division of Broadcom).



“  
**The Group recorded  
a profit before tax of  
\$25.8M in 2020.**

”



# LETTER TO SHAREHOLDERS

The Group has a presence in 30 cities in 15 countries in Asia Pacific Region and Europe. The M.Tech regional offices are expected to contribute positively to the Group's business in 2021.

## Sustainability Matters

We reaffirm our commitment to sustainability with the publication of our sustainability report prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option and Singapore Exchange Securities Trading Limited ("SGX-ST") listing rules 711 (A) and 711 (B). For this sustainability report, we continue to provide insights into the way we do business, while highlighting our environmental, social, governance ("ESG") factors and economic performance.

During this challenging time, we remain committed to create sustainable value for our communities, customers, employees, regulators, shareholders and vendors. We believe that our proactive business initiatives, operational track record and financial position will tide us through this uncertain period and allow us to stay on course in our sustainability journey.

## Appreciation

On behalf of the Board of Directors, we wish to thank the staff and management of the Group for their commitment and dedication during the past years. Special thanks go to the colleagues on the Board for their strong support and positive contribution. We would also like to express our sincere appreciation to our shareholders, suppliers, customers and business partners for their invaluable support.



We aspire to the Group achieving greater heights in 2021.

**Lim Keng Jin**  
Group Chairman

**Foo Suan Sai**  
Chief Executive Officer

# SUSTAINABILITY REPORT

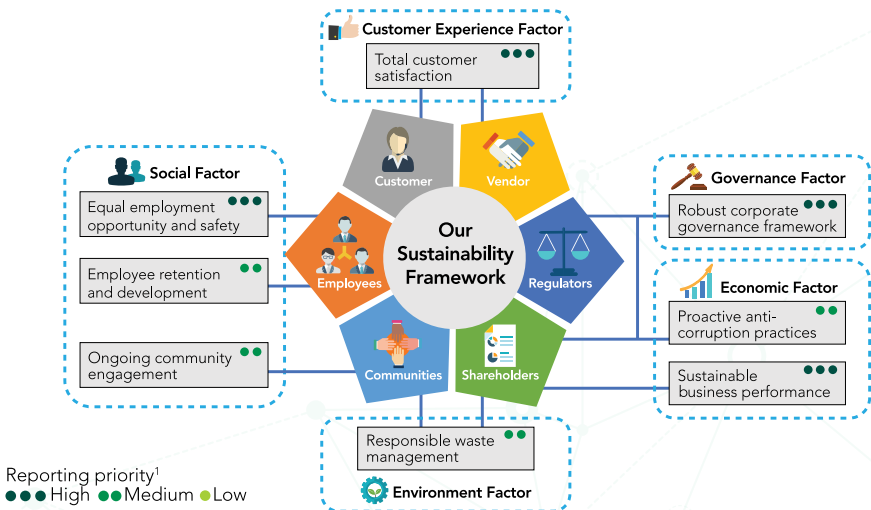
## 1. Board statement

We reaffirm our commitment to sustainability with the publication of this sustainability report ("Report"). For this Report, we provide insights into the way we do business, while highlighting our environmental, social, governance ("ESG") factors, economic performance and customer experience (collectively as "Sustainability Factors").

We are committed to strike a balance between growth, profit, governance, environment, the development of our people and well-being of our communities to secure a long-term future for our Group. In line with our commitment, the Board having considered Sustainability Factors as part of its strategic formulation, determined the material Sustainability Factors and oversees the management and monitoring of the material Sustainability Factors.

A sustainability policy ("SR Policy") covering our sustainability strategies, sustainability governance structure, materiality assessment and processes in identifying and monitoring material Sustainability Factors has been put in place and serves as a point of reference in the conduct of our sustainability reporting. Under this SR Policy, we will continue to monitor, review and update our material Sustainability Factors from time to time, taking into account the feedback that we receive from our engagement with our stakeholders, organisational and external developments.

We work closely with our stakeholders, comprising communities, customers, employees, regulators, shareholders and vendors. An overview of our Sustainability Factors by stakeholder is as follows:



<sup>1</sup> Reporting priority refers to the ranking assigned to each Sustainability Factor based on the level of concern to stakeholders and the significance of our impacts on the economy, environment and society. Refer to section 7.3 for further details.

# SUSTAINABILITY REPORT

An overview of our sustainability performance in FY2020 is as follows:

Material factor and reporting priority	Sustainability performance	Our efforts
<b>Customer experience</b>		
Total customer satisfaction ●●●	More than 70 product brands are offered to customers	<ul style="list-style-type: none"> <li>• Offer an extensive and comprehensive product range that meets market's needs through strong relationship with vendors</li> <li>• Maintain presence and proximity to our customers</li> <li>• Nurture a team of highly trained and experienced employees to serve our customers</li> </ul>
<b>Economic</b>		
Sustainable business performance ●●●	<ul style="list-style-type: none"> <li>• Salaries to employees amount to SGD 37.09 million</li> <li>• SGD 6.26 million is distributed as tax to governments</li> <li>• Dividends of 6.60 cents per ordinary share are proposed</li> <li>• SGD 17.78 million is reinvested via retained earnings</li> </ul>	Create long-term economic value for shareholders through consistent profits, dividend payments, robust balance sheet and strong operating cash flows
Proactive anti-corruption practices ●●	Zero incident of serious offence	An independent whistle blowing mechanism administered by a third party service provider and managed by the Audit and Risk Management Committee is in place whereby a complainant can file a complaint without fear of reprisal.
<b>Environmental</b>		
Responsible waste management ●●	100% of technological equipment requiring special disposal is handled by licensed waste collectors	Move towards a paperless working environment and disposal of technological equipment is handled by licensed waste collectors



# SUSTAINABILITY REPORT

Material factor and reporting priority	Sustainability performance	Our efforts
<b>Social</b>		
Equal employment opportunity and safety ●●●	<ul style="list-style-type: none"> <li>• Employees with tertiary education represents 88% of the employees covered</li> <li>• 41% of the employees covered are female</li> <li>• 31% of the employees covered are at least 40 years old</li> </ul>	Adopt fair, non-discriminatory employment practices and flexible working arrangements
Employee retention and development ●●	64% of the employees covered have served for more than 3 years	Implement structured training program and conduct regular staff assessments to nurture and grow a strong team
Ongoing community engagement ●●	Initiate various community engagement	Carry out various community initiatives such as collaborating with an institute of higher learning to set up a bursary for financially challenged but deserving undergraduates
<b>Governance</b>		
Robust corporate governance framework ●●●	Singapore Governance and Transparency Index ("SGTI") score is 73 for the year 2020	Implement robust corporate governance practices and a risk management framework

We face uncertainties as a result of the Coronavirus disease 2019 ("COVID-19" or "Pandemic") which affected our operations. To counter the adverse impact of the Pandemic on our operations, we have channelled our efforts towards strategic planning and human resource management. Given the uncertain outlook, we are monitoring the impact of the Pandemic and will remain vigilant during this challenging period.

For growth, we will focus on our best-of-breed products and will continue to look out for opportunities to acquire new products. We believe that our proactive business initiatives, operational track record and financial position will tide us through this uncertain period and allow us to stay on course in our sustainability journey. We have detailed our responses to the impact of the Pandemic in the relevant sections of this Report.

# SUSTAINABILITY REPORT

## 2. Our business

We operate two businesses comprising the IT business and printed circuit board ("PCB") business as follows:

### 2.1 IT business

We are a leading cyber security and network performance solutions provider. We work with leading vendors to bring optimal solutions to the market through a channel of reseller partners. Tapping on our strong network of subsidiaries, the products are sold through resellers, to a diverse pool of end-users which include Fortune 500 companies as well as small and medium enterprises.

As part of our value add to our customers, we provide maintenance and professional services such as on-site deployment and software upgrades. In addition, through our education services division, we conduct certified IT training courses for our customers to raise their awareness and technical knowledge.



#### Our Vendors

More than 70 product brands for the following solutions:

- IT security
- Network performance
- Enterprise data centre
- Cloud
- Mobility



#### Our Operations

- Distribution of IT security products
- Provide maintenance and professional services
- Provision of certified IT training courses



#### Our Customers

- Resellers
- End-users

### 2.2 PCB business

We distribute specialty chemicals and other PCB related products and equipment to PCB manufacturers and rental of machines.



#### Our Suppliers

Suppliers of specialty chemicals and other PCB related products and equipment ("PCB Products and Equipment")



#### Our Operations

- Distribution of PCB Products and Equipment
- Machine rental



#### Our Customers

- PCB manufacturers

# SUSTAINABILITY REPORT

### 3. Reporting framework

This Report has been prepared in accordance with the GRI Standards: Core option and the SGX-ST listing rules 711A and 711B. We have chosen the GRI framework as it is an internationally recognised reporting framework. The GRI content index can be found in the Appendix.

As part of our continual efforts to align our sustainability reporting with relevant market standards, we have mapped our sustainability efforts to the 2030 Agenda for Sustainable Development which is adopted by all United Nations Member States in 2015 (“UN Sustainability Agenda”). The UN Sustainability Agenda provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (“SDGs”), which form an urgent call for action by all countries - developed and developing - in a global partnership. We have incorporated the SDGs, where appropriate, as a supporting framework to shape and guide our sustainability strategy.

### 4. Reporting period and scope

This reporting period is for our Group’s financial year (“FY”) ended 31 December 2020 (“FY2020” or “Reporting Period”) and a report will be published annually in accordance with our SR Policy.

This Report covers the following key operating entities within the IT business, our core business, which contributed to approximately 85% (FY2019: 86%) of the total revenue for the Reporting Period:

S/N	Entity	S/N	Entity
1	Multi-Chem Limited	6	M.Tech Products Pte Ltd
2	M.Tech Holdings Pte. Ltd.	7	M.Tech Products Aust Pty Limited
3	M-Security Technology Sdn. Bhd.	8	PT.M.Tech Products
4	M-Solutions Technology (Thailand) Co., Ltd.	9	M.Tech Solutions (India) Private Limited
5	M.Tech (Shanghai) Co., Ltd.	10	M.Tech Products (HK) Pte Limited

### 5. Feedback

We welcome feedback from all stakeholders on this Report. You may send related questions, comments, suggestions or feedback to our investor relations email account: [irmultichem@multichem.com.sg](mailto:irmultichem@multichem.com.sg).

### 6. Stakeholder engagement

Our efforts on sustainability is focused on creating sustainable value for our key stakeholders, which comprise communities, customers, employees, regulators, shareholders and vendors. Our key stakeholders are identified through a stakeholder mapping exercise by our Senior Management. Key stakeholders are determined for each material factor identified, based on the extent of which they can affect or are affected by operations of our Group.

# SUSTAINABILITY REPORT

We actively engage our key stakeholders through the following channels:

S/N	Key stakeholder	Engagement channel	Frequency of engagement	Key concern raised by stakeholder
1	Communities 	Community campaigns	Regularly	<ul style="list-style-type: none"> <li>Social inclusion</li> <li>Environmental initiatives</li> </ul>
2	Customers 	<ul style="list-style-type: none"> <li>Meetings and visits</li> <li>Events such as exhibitions</li> <li>Phone calls</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>Product diversity</li> <li>Customer service</li> </ul>
3	Employees 	<ul style="list-style-type: none"> <li>Meetings and talks held by the Management</li> <li>Emails</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>Career development and training opportunities</li> <li>Work-life balance</li> <li>Job security</li> <li>Remuneration</li> </ul>
		Staff evaluation sessions	Yearly	
4	Regulators 	Consultations and briefings organised by key regulatory bodies such as Singapore Stock Exchange and relevant government agencies/bodies	As and when required	Corporate governance
5	Shareholders 	<ul style="list-style-type: none"> <li>Annual general meeting</li> <li>Annual reports</li> </ul>	Annually	<ul style="list-style-type: none"> <li>Sustainable business performance</li> <li>Market valuation</li> <li>Dividend payment</li> <li>Corporate governance</li> </ul>
		Results announcement	Half-yearly <sup>2</sup>	
		Dedicated email account for investor relations	Ongoing	
6	Vendors 	<ul style="list-style-type: none"> <li>Meeting and visits</li> <li>Email communications</li> <li>Phone calls</li> <li>Events such as vendor conferences</li> </ul>	Ongoing	<ul style="list-style-type: none"> <li>Ability to distribute products</li> <li>Maintain and expand brand presence</li> <li>Maximise end customers' satisfaction</li> </ul>

Through the above channels, we seek to understand the views of key stakeholders, communicate effectively with them and respond to their concerns.

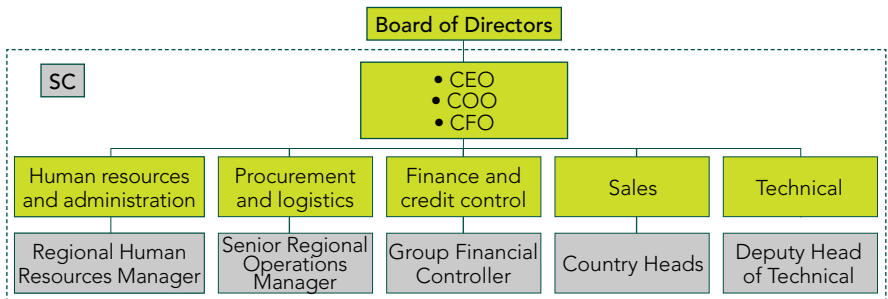
<sup>2</sup> We adopted a half-yearly financial reporting cycle with effect from 7 February 2020.

# SUSTAINABILITY REPORT

## 7. Policy, practice and performance reporting

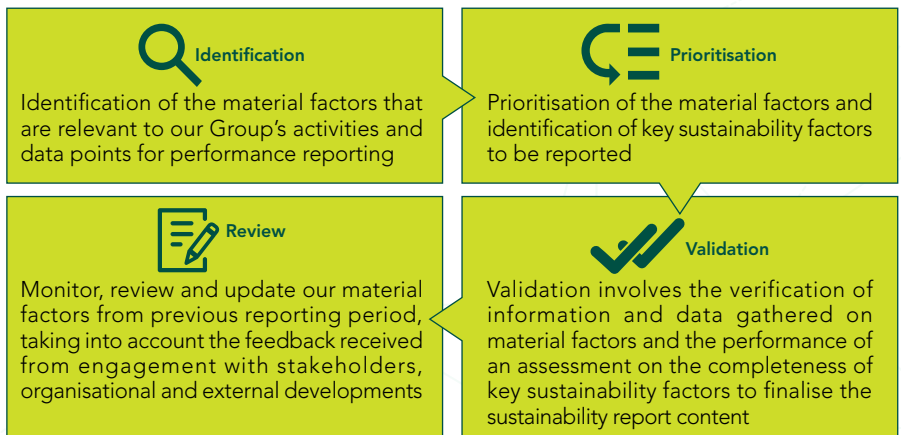
### 7.1 Sustainability governance structure

The Board of Directors (“BOD”) advises and supervises the development of our sustainability strategy and performance targets. Our sustainability strategy is spearheaded by the Sustainability Committee (“SC”) which is led by our Chief Financial Officer (“CFO”). The SC comprises representatives from key Group functions and is primarily responsible for performing materiality assessment, considering stakeholders’ priorities, setting targets, as well as collecting, verifying, monitoring and reporting performance data for this Report. Our Chief Operating Officer (“COO”) and Chief Executive Officer (“CEO”) play an advisory role to the SC on the formulation and implementation of sustainability strategies.



### 7.2 Sustainability reporting processes

Under our SR policy, our sustainability process begins with the identification of relevant factors. Relevant factors are then prioritised as material factors which are then validated. The end result of this process is a list of material factors disclosed in this Report. Inter-relationships between the processes are shown in the chart below:



# SUSTAINABILITY REPORT

## 7.3 Materiality assessment

Under our SR Policy, each Sustainability Factor is assigned a reporting priority that determines the actions required as illustrated in the table below:

Reporting priority	Description	Criteria
•••	High	Factors with high reporting priority should be reported in detail.
••	Medium	Factors with medium reporting priority should be considered for inclusion in the Report. It may be decided to not include them in the Report if not material.
•	Low	Factors with low reporting priority may be reported to fulfil regulatory or other reporting requirements. It may be decided to not include them in the Report if not material.

The reporting priority is supported by a materiality factor matrix which considers the level of concern to stakeholders ("Stakeholders' Concern") and significance of our impacts on the economy, environment and society ("Business Impact").

## 7.4 Performance tracking and reporting

We track the progress of our material factors by identifying the relevant data points, measuring and monitoring them. In addition, we set performance targets that are aligned with our strategy to ensure that we remain focused in our path to sustainability. We shall consistently enhance our performance-monitoring processes and improve our data capture systems. The sustainability trends can be found in the Appendix.

## 8. Material factors

Our materiality assessment performed for FY2020 involved our SC in identifying Sustainability Factors deemed material to our business processes as abovementioned and stakeholders so as to allow us to channel our resources judiciously to create sustainability value for our stakeholders.

Presented below are a list of key Sustainability Factors applicable to our Group:

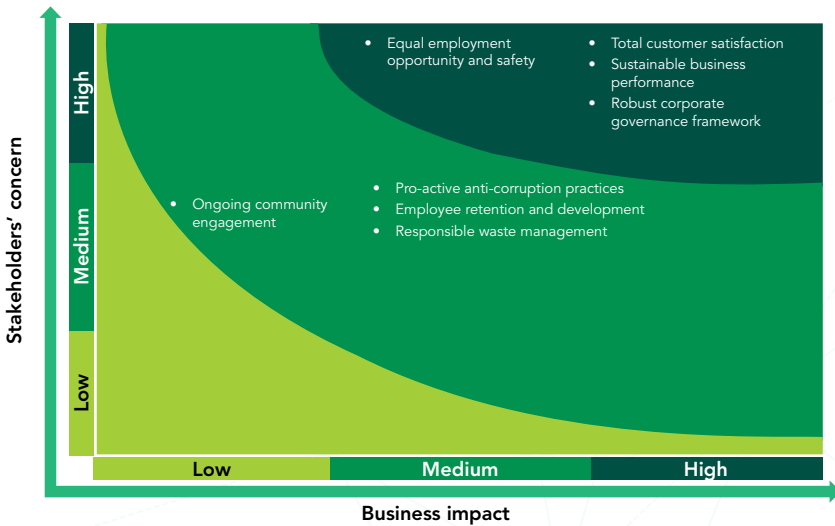
### [List of material sustainability factors](#)

S/N	Material factor	SDG	Reporting priority	Key stakeholder
<b>Customer experience</b>				
1	Total customer satisfaction	Decent work and economic growth	•••	<ul style="list-style-type: none"> <li>Customers</li> <li>Vendors</li> </ul>
<b>Economic</b>				
2	Sustainable business performance	Decent work and economic growth	•••	Shareholders

# SUSTAINABILITY REPORT

S/N	Material factor	SDG	Reporting priority	Key stakeholder
<b>Economic</b>				
3	Proactive anti-corruption practices	Peace, justice and strong institutions	••	<ul style="list-style-type: none"> <li>• Shareholders</li> <li>• Regulators</li> </ul>
<b>Environmental</b>				
4	Responsible waste management	Responsible consumption and production	••	<ul style="list-style-type: none"> <li>• Communities</li> <li>• Shareholders</li> </ul>
<b>Social</b>				
5	Equal employment opportunity and safety	Reduced inequalities	•••	Employees
6	Employee retention and development	Quality education	••	Employees
7	Ongoing community engagement	Quality education	••	Communities
<b>Governance</b>				
8	Robust corporate governance framework	Peace, justice and strong institutions	•••	<ul style="list-style-type: none"> <li>• Shareholders</li> <li>• Regulators</li> </ul>

## Material factor matrix



We will update the material factors on an annual basis to reflect changes in business operations, environment, stakeholders' feedback and sustainability trends. The details of each key Sustainability Factor are presented as follows:

# SUSTAINABILITY REPORT

## 8.1 Total customer satisfaction

Our strategies towards customer satisfaction are as follows:

### Offer an extensive and comprehensive product range that meets market's needs

As at 31 December 2020, we offer more than 70 product brands (as at 31 December 2019: more than 70 product brands). We believe that offering a comprehensive product range is crucial in achieving customer satisfaction as it allows them to select products that better meet their needs. To ensure we continue to offer a comprehensive range of products, we constantly seek to identify new synergistic products and maintain a robust relationship with our vendors through the following:

- Meet sales targets set by the vendors;
- Support the vendors in achieving their strategic plans; and
- Establish a strong and effective communication channel with them at different staff level.

### Key brands under distribution



### Maintain presence and proximity to our customers

Over the years, we have established a network of companies in 30 cities of 15 countries (as at 31 December 2019: 30 cities of 15 countries) to provide on-site sales, marketing as well as technical support to our reseller partners. This geographical footprint brings us closer to the markets we serve and more importantly, closer to our clients.

### Nurture a team of highly trained and experienced employees to serve our customers

Our global footprint is driven by a core regional team and experienced professional staff that support our operations in the development and delivery of solutions to our customers. You may refer to section 8.6 for details on employee retention and development.

Target for FY2020	Performance in FY2020	Target for FY2021
<ul style="list-style-type: none"> <li>• Maintain a comprehensive range of products</li> <li>• Maintain or improve employee retention rate subject to market condition</li> </ul>	Target met as follows: <ul style="list-style-type: none"> <li>• More than 70 product brands are offered to customers</li> <li>• For employee retention, refer to section 8.6 for further details</li> </ul>	Maintain a comprehensive range of products



# SUSTAINABILITY REPORT

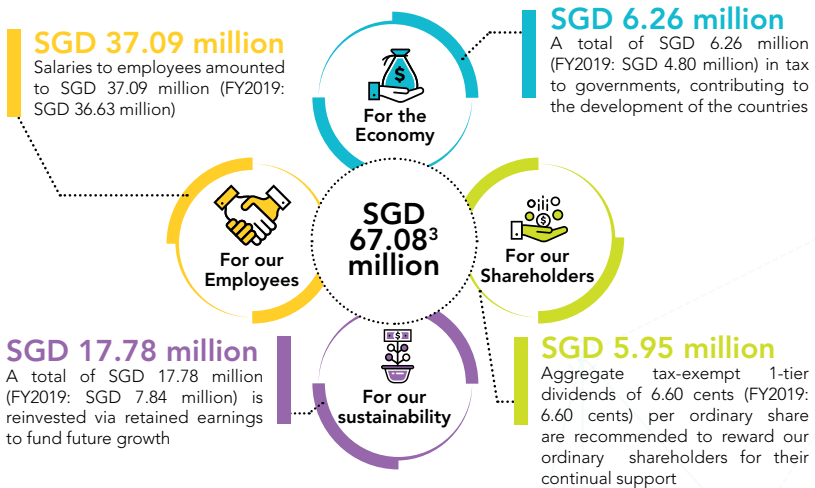
## Risk and opportunity analysis

Risk	<p>Risk identified:</p> <ul style="list-style-type: none"> <li>• Dependency on key distributor rights</li> </ul> <p>Refer to our risk disclosure in the Corporate Governance Report in this annual report</p>
Opportunity	To expand our market share and further strengthen our relationship with our vendors and customers

## 8.2 Sustainable business performance

We believe in creating long-term economic value for shareholders by striking a balance between rewarding shareholders by way of consistent profits and dividend payments and maintaining a robust balance sheet with strong operating cash flows.

We are committed to provide value to various stakeholders through relevant and meaningful ways. In line with this commitment, value created<sup>3</sup> in FY2020 is distributed as follows to enable a more sustainable future:



You may refer to the value added statement of this Annual Report for details of our value creation.

For details of our financial performance can be found in the financial contents and audited financial statements of this Annual Report.

<sup>3</sup> Total distribution differs from the amount disclosed in the value-added statement as it included dividends to shareholders, a key stakeholder group of our Group and excluded non-controlling interests, finance assets, depreciation and amortisation expenses.

# SUSTAINABILITY REPORT

Target for FY2020	Performance in FY2020	Target for FY2021
Maintain or improve our financial performance and value to stakeholders subject to market conditions	<ul style="list-style-type: none"> <li>Salaries to employees amount to SGD 37.09 million</li> <li>SGD 6.26 million is distributed as tax to governments</li> <li>Dividends of 6.60 cents per ordinary share are proposed</li> <li>SGD 17.78 million is reinvested via retained earnings</li> </ul>	Maintain or improve our financial performance and value to stakeholders subject to market conditions
Risk and opportunity analysis		
Risk	Risk identified: <ul style="list-style-type: none"> <li>Adverse change in economic conditions</li> <li>Foreign exchange losses</li> <li>Inability of customers to meet their obligations</li> </ul> Refer to our risk disclosure in the Corporate Governance Report in this annual report	
Opportunity	To create long-term economic value for our shareholders	

## 8.3 Proactive anti-corruption practices

We are committed to carry out business with integrity by avoiding corruption in any form, including bribery, and complying with the Prevention of Corruption Act of Singapore.

We have implemented an independent whistle blowing mechanism administered by a third party service provider and managed by the Audit and Risk Management Committee for employees to raise concerns through accessible confidential disclosure channels about possible improprieties in matters of financial reporting and others without fear of reprisals. In FY2020, there was no incident of serious offence reported<sup>4</sup> (FY2019: zero incident).

Target for FY2020	Performance in FY2020	Target for FY2021
Maintain zero incident of serious offence	Target met as follows: There are no incident of serious offence.	Maintain zero incident of serious offence
Risk and opportunity analysis		
Risk	Risk identified: <ul style="list-style-type: none"> <li>Fraud and irregularities</li> </ul> Refer to our risk disclosure in the Corporate Governance Report in this annual report	
Opportunity	To drive long-term sustainable growth and increase corporate values	

## 8.4 Responsible waste management

We believe that environmental preservation through efficient waste management such as reuse and recycling allows us to operate in a conducive and sustainable environment. It also helps us in achieving both short and long term cost savings which enhances returns to our shareholders.

<sup>4</sup> A serious offence is defined as one that involves fraud or dishonesty amounting to not less than SGD100,000 and punishable by imprisonment for a term of not less than 2 years which is being or has been committed against the company by officers or employees of the company.

# SUSTAINABILITY REPORT

Our key initiatives on this front are as follows:

## Moving towards a paperless working environment

We constantly enhance our operating systems to move towards a paperless working environment. Such enhancements include the deployment of an integrated business system to minimise usage of transit documents, whereby forms are signed using electronic signatures and electronic version of sales and purchasing related documents are issued.

## Proper waste management and disposal

We recognise that technological equipment such as those distributed by us often contain components such as plastics and heavy metals, which cannot be simply discarded. Proper disposal of equipment is both environmentally responsible and often required by law. In FY2020, 100% (FY2019: 100%) of our Group's disposal of technological equipment is handled by licensed waste collectors.

Target for FY2020	Performance in FY2020	Target for FY2021
100% of technological equipment requiring special disposal is handled by licensed waste collectors	Target met as follows: 100% of technological equipment requiring special disposal is handled by licensed waste collectors	Ensure that 100% of technological equipment requiring special disposal is handled by licensed waste collectors
Risk and opportunity analysis		
Risk	There were no material risks identified that is associated with this factor. Refer to our risk disclosure in the Corporate Governance Report in this annual report	
Opportunity	To improve our operational efficiency and achieve environmental sustainability	

## 8.5 Equal employment opportunity and safety

Human resource is a key asset of our Group. A diversified workforce supports business sustainability by offering fresh perspectives and ideas that contributes to the growth of our operations whilst a working environment that supports equal opportunity for all helps to create a level platform for employees to excel and showcase their potential in contributing to our Group.

We are committed to the goals of diversity and equal opportunity in employment through the following:

### Integrating flexible work arrangements

We are committed to provide fair treatment for working parents through flexible working arrangements that support our employees' caregiving needs. For example, our employees are allowed to leave work early and make several stops to pick up her children before reaching home. We believe that such flexibility helps us to retain talent by building employee loyalty, which in turn enhances overall productivity.

We take such progressive steps to complement our employees' caregiving needs, it is also aligned with the government's objective of improving Singapore's total fertility rate as well as the Tripartite Standard on Flexible Work Arrangements<sup>5</sup> that was introduced to create work-life harmony at our workplace.

<sup>5</sup> The Tripartite Standard on Flexible Work Arrangements specifies practises that employers should implement at the workplace to help their employees better manage their work-life needs.

# SUSTAINABILITY REPORT

## Made for Families

As a form of support for the Made for Families initiative introduced by the Prime Minister's Office to assure that families will emerge stronger from the Pandemic, we offer telecommuting and flexi work hours for our employees to tend to family matters. During the circuit breaker period, we provided our employees with the option to loan laptops as a form of support to working parents who do not have the devices for their children to undergo home-based learning.

## Banding together with employees in times of crisis

Our top priority lies with the health and safety of our employees and we strongly encourage our employees to work from home due to concerns over the spread of the pandemic. We activated our business continuity plan ("BCP") to segregate our employees into teams to minimise interaction and risk of cross-infections. To ensure the proper execution of the BCP and better employee coordination, we activated the company emergency response team (CERT), which comprises heads of department ("HOD") and designated employees.

## Adopting fair employment practices

To promote diversity and equal opportunity, we have put in place the following policies and measures:

- A human resource policy to select employees based on merit and competency;
- A policy on fair employment practices to reinforce commitment to diversity and equality in the workplace;
- A sexual harassment policy to ensure every employee has the right to work in an environment free from all forms of discrimination and conduct which can be considered harassing, coercive and disruptive;
- Employees are evaluated on yearly basis and rewards are linked to their performance;
- Promising employees are given the opportunity to work for a period in our overseas subsidiaries to further enhance their experience; and
- Long service awards are given out to valuable employees with continuous employment records regardless of their race, age, gender, sexuality, disability or culture.

The total number of full-time employees covered as at 31 December 2020 is 537 (as at 31 December 2019: 521).

## Educational diversity (full-time employees covered)

On educational diversity, we employ our employees from different educational background and seek to create an inclusive environment for them. Due to the nature of the business covered, the workforce is predominantly tertiary educated (with a diploma and above). Such employees contribute to 88% (as at 31 December 2019: 89%) of our employees covered as at 31 December 2020. Upon joining us, employees are assessed and rewarded primarily based on their performance.



# SUSTAINABILITY REPORT

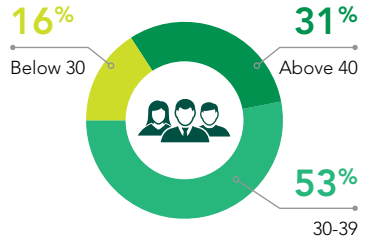
## Gender diversity (full-time employees covered)

On gender diversity, we have one (as at 31 December 2019: one) female Board member and as at 31 December 2020, the percentage of male/ female employees covered is 59%/41% (as at 31 December 2019: 58%/ 42%) respectively.



## Age diversity (full-time employees covered)

As compared to the other industries, workers engaged in the IT industry tend to be younger. In our Group, matured workers are valued for their experience, knowledge and skills. As at 31 December 2020, 31% (as at 31 December 2019: 25%) of our employees covered is at least 40 years old.



Target for FY2020	Performance in FY2020	Target for FY2021
Move towards a more balanced or maintain existing gender, age and educational diversity ratios	Target met as follows: There are no material changes in the workplace diversity ratios	<ul style="list-style-type: none"> <li>Ratio of employees with non-tertiary education should not fall below 10%</li> <li>Ratio of female against male employees should not fall below 35%</li> <li>Ratio of employees with age 40 and above should not fall below 20% or exceed 50%</li> </ul>

## Risk and opportunity analysis

Risk	Risk identified: <ul style="list-style-type: none"> <li>Dependency on key managers and staff</li> </ul> Refer to our risk disclosure in the Corporate Governance Report in this annual report
Opportunity	To create a diverse and inclusive workplace that will bring new perspectives into our business and strengthen our ability to overcome new challenges and innovate

## 8.6 Employee retention and development

We have a regional team of certified pre and post sales engineers to support the technical needs of the products that we distribute. Each regional team is led by a senior engineer with extensive years of field experience and each individual engineer is trained, certified and qualified to install, implement and maintain the assigned products. We believe that having a strong technical team is critical in supporting customers for the products we distribute.

As at 31 December 2020, approximately 64% (as at 31 December 2019: 61%) of the employees have served for more than 3 years with us.

# SUSTAINABILITY REPORT

We place a high priority on the competency development of our employees as we believe that an effective employee training program is vital to the long-term success of any business.

We demonstrate our commitment in employee development by providing our employees with the opportunity to work for a period in our overseas subsidiaries to further enhance their experience. Selected employees are also given the opportunity to attend local or overseas trade shows or vendors' events to gain more product knowledge and network.

In addition, staff assessments are performed regularly to evaluate the performance of employees and this helps to encourage them to take self-initiated enrichment actions to improve themselves.

Target for FY2020	Performance in FY2020	Target for FY2021
<ul style="list-style-type: none"> <li>Maintain or improve employee retention rate subject to market conditions</li> <li>Provide training opportunities for development and growth to keep our employees motivated and engaged</li> </ul>	<ul style="list-style-type: none"> <li>64% of the employees covered have served for more than 3 years</li> <li>Provide various training opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Maintain or improve employee retention rate subject to market conditions</li> <li>Provide training opportunities for development and growth to keep our employees motivated and engaged</li> </ul>

## Risk and opportunity analysis

Risk	Risk identified: <ul style="list-style-type: none"> <li>Dependency on key managers and staff</li> </ul> Refer to our risk disclosure in the Corporate Governance Report in this annual report
Opportunity	To expand the knowledge base of our employees, strengthen our ability to overcome new challenges and innovate

## 8.7 Ongoing community engagement

We strive to set a good example and encourage individuals and other corporations to embrace the spirit of giving as we recognise that the long-term success of our business is closely related with the health and prosperity of the community which we operate in.

During the Reporting Period, we have engaged in various initiatives to help the communities as follows:

### [Nurture financially challenged but deserving undergraduates](#)

Arising from a collaboration with Singapore Institute of Technology ("SIT" or the "Institute") in year 2018, we contributed SGD 67,000 to SIT to set up a bursary for financially challenged but deserving undergraduates. The bursary has been used to fund the recipient's education expenses such as tuition fees, course materials, expenses for overseas immersion programme conducted by the Institute and fees for other education activities organised by the Institute. This bursary targets to benefit 6 undergraduates for a period of 6 years starting from year 2018.

# SUSTAINABILITY REPORT

The above initiatives are our way of supporting the academic and personal growth of deserving and needy individuals from our community.

## [Provide charitable contributions to support worthy causes](#)

We continuously seek opportunities to impact communities positively through meaningful charitable contributions. During the Reporting Period, we donated over SGD 10,000 to SGX Bull Charge Virtual Charity Run 2020 and SGX Bull Charge Technology Symposium 2020. SGX Bull Charge is a corporate charity initiative that rallies Singapore's financial community and public listed companies to support the needs of underprivileged children and their families, persons with disabilities, as well as the elderly.

As a responsible corporate citizen, we are committed to give back to our community and help our beneficiaries experience a more positive and fruitful life journey.

We believe that it is important to constantly remind our employees of the importance of giving back to the society and participation in such an event helps to make a difference to the lives of the people on the receiving end.

Target for FY2020	Performance in FY2020	Target for FY2021
Continue with existing community engagement campaigns	Target met as follows: Initiate various community engagement campaigns.	Initiate various campaigns to help the communities
Risk and opportunity analysis		
Risk	There were no material risks identified that is associated with this factor.  Refer to our risk disclosure in the Corporate Governance Report in this annual report	
Opportunity	To strengthen our reputation and build goodwill with the communities that we operate in	

## 8.8 Robust corporate governance framework

A high standard of corporate governance is integral in ensuring sustainability of our business as well as safeguarding shareholders' interest and maximising long-term shareholder value.

We have put in place an ERM framework to track and manage the risks in which we are exposed. We regularly assess and review our businesses and operational environment to identify and manage emerging and strategic risks that may impact our sustainability. With a positive and proactive attitude, we believe that risks faced by our Group could be converted into opportunities and favourable results.

You may refer to Corporate Governance Report of this Annual Report for details for our corporate governance practices.

# SUSTAINABILITY REPORT

Our overall SGTI score assessed by National University of Singapore Business School is 73 for the year 2020 (year 2019: 71).

Target for FY2020	Performance in FY2020	Target for FY2021
Improve or maintain SGTI score	Target met as follows: SGTI score increases by 2 points to 73 for the year 2020	Improve or maintain SGTI score
Risk and opportunity analysis		
Risk	Risk identified: • Fraud and irregularities  Refer to our risk disclosure in the Corporate Governance Report in this annual report	
Opportunity	To drive long-term sustainable growth and increase corporate values	

## 9. Supporting the UN Sustainable Development Goals

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 SDGs, which form an urgent call for action by all countries - developed and developing - in a global partnership. We believe that everyone plays an important part in advancing sustainable development and we have identified 5 SDGs which we can contribute to sustainability development through our business practices, products and services. The SDGs that we focus on and the related sustainability factors are as follows:

SDG	Our effort
 <p><b>4</b> QUALITY EDUCATION</p>	<p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities</p> <p><u>Section 8.6 Employee retention and development</u> We invest in training, education and development of our people to enhance our business competencies.</p> <p><u>Section 8.7 Ongoing community engagement</u> We proactively support the academic and personal growth of deserving needy individuals through a bursary program available for the students of SIT.</p>
 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> <p><u>Section 8.1 Total customer satisfaction</u> We are determined to bring outstanding products and services to our customers through providing a comprehensive product range, being attentive and responsive to customer feedback and maintaining a team of highly trained and experienced employees.</p> <p><u>Section 8.2 Sustainable business performance</u> We contribute to economic growth through creating long-term value for our stakeholders.</p>



# SUSTAINABILITY REPORT

SDG		Our effort
 <p><b>10</b> REDUCED INEQUALITIES</p>	Reduce inequality within and among countries	<p><u>Section 8.5 Equal employment opportunity and safety</u> We create a diverse and inclusive workplace that will bring new perspectives to our business and strengthen our ability to overcome new challenges.</p>
 <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Ensure sustainable consumption and production patterns	<p><u>Section 8.4 Responsible waste management</u> We constantly enhance our operating systems to move towards a paperless working environment and ensure proper disposal of technological equipment requiring special disposal.</p>
 <p><b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	<p><u>Section 8.3 Proactive anti-corruption practices</u> We maintain zero tolerance towards any form of corruption including bribery through measures such as our whistle blowing policy.</p> <p><u>Section 8.8 Robust corporate governance framework</u> We maintain a high standard of corporate governance to safeguard our shareholders' interest and maximise long-term shareholders' value.</p>

## Appendix 1 Sustainability Trends

S/N	Performance indicator	Sustainability performance		
		FY20	FY19	FY18
<b>Total customer satisfaction</b>				
1	Product brands	More than 70	More than 70	More than 70
<b>Sustainable business performance</b>				
2	Salaries to employees	SGD 37.09 million	SGD 36.63 million	SGD 35.12 million
3	Tax to governments	SGD 6.26 million	SGD 4.80 million	SGD 5.22 million
4	Retained earnings	SGD 17.78 million	SGD 7.84 million	SGD 5.57 million
5	Dividend per ordinary share	6.60 cents	6.60 cents	4.41 cents
<b>Proactive anti-corruption practices</b>				
6	Number of incidents of serious offence	0	0	0
<b>Responsible waste management</b>				
7	Percentage of technological equipment requiring special disposal is handled by licensed waste collectors	100%	100%	100%

# SUSTAINABILITY REPORT

S/N	Performance indicator	Sustainability performance		
		FY20	FY19	FY18
<b>Equal employment opportunity and safety</b>				
8	Ratio of employees with non-tertiary education	12%	11%	11%
9	Ratio of female against male employees	41%	42%	41%
10	Ratio of employees who are at least 40 years old	31%	25%	25%
<b>Employee retention and development</b>				
11	Ratio of employees with more than 3 years of service	64%	61%	58%
12	Training opportunities	Provided various training opportunities		
<b>Ongoing community engagement</b>				
13	Community campaigns	Initiated various community campaigns		
<b>Robust corporate governance framework</b>				
14	SGTI score	73 points	71 points	63 points

## Appendix 2 GRI Content Index

GRI standard & disclosure title		Section reference	Page
<b>Organisational profile</b>			
102-1	Name of the organisation	Definitions	01
102-2	Activities, brands, products, and services	<ul style="list-style-type: none"> <li>Corporate Profile</li> <li>Sustainability Report &gt; Our Business</li> <li>Sustainability Report &gt; Material Factors &gt; Total Customer Satisfaction</li> <li>Financial Contents &gt; Notes to the Financial Statements &gt; Investments in Subsidiaries</li> </ul>	02 16 22 - 23 133 - 142
102-3	Location of headquarters	Corporate Directory	82 - 84
102-4	Location of operations	Corporate Directory	82 - 84
102-5	Ownership and legal form	<ul style="list-style-type: none"> <li>Group Structure</li> <li>Financial Contents &gt; Notes to the Financial Statements &gt; General Corporate Information</li> <li>Financial Contents &gt; Notes to the Financial Statements &gt; Investments in Subsidiaries</li> </ul>	43 104 133 - 142
102-6	Markets served	Corporate Directory	82 - 84

# SUSTAINABILITY REPORT

GRI standard & disclosure title		Section reference	Page
<b>Organisational profile</b>			
102-7	Scale of the organisation	• Sustainability Report > Material Factors > Sustainable Business Performance	23 - 24
		• Sustainability Report > Material Factors > Equal Employment Opportunity and Safety	25 - 27
		• Operations Review	36 - 37
		• Financial Highlights	44 - 48
		• Financial Review	49 - 54
		• Financial Contents > Statements of Financial Position	96 - 97
		• Financial Contents > Consolidated Income Statement	98
		• Financial Contents > Consolidated Income Statement and Statement of Comprehensive Income	99
102-8	Information on employees and other workers	Sustainability Report > Material Factors > Equal Employment Opportunity and Safety	25 - 27
102-9	Supply chain	• Sustainability Report > Our Business	16
		• Sustainability Report > Material Factors > Total Customer Satisfaction	22 - 23
102-10	Significant changes to the organisation and its supply chain	None	-
102-11	Precautionary Principle or approach	None	-
102-12	External initiatives	Sustainability Report > Supporting the UN Sustainable Development Goals	30 - 31
102-13	Membership of associations	None	-
<b>Strategy</b>			
102-14	Statement from senior decision-maker	• Letter to Shareholders > Sustainability Matters	12
		• Sustainability Report > Board Statement	13 - 15
<b>Ethics and integrity</b>			
102-16	Values, principles, standards, and norms of behaviour	• Sustainability Report > Material Factors > Robust Corporate Governance Framework	29 - 30
		• Corporate Governance Report	57 - 81
<b>Governance</b>			
102-18	Governance structure	• Sustainability Report > Policy, Practice and Performance Reporting > Sustainability Governance Structure	19
		• Corporate Governance Report	57 - 81

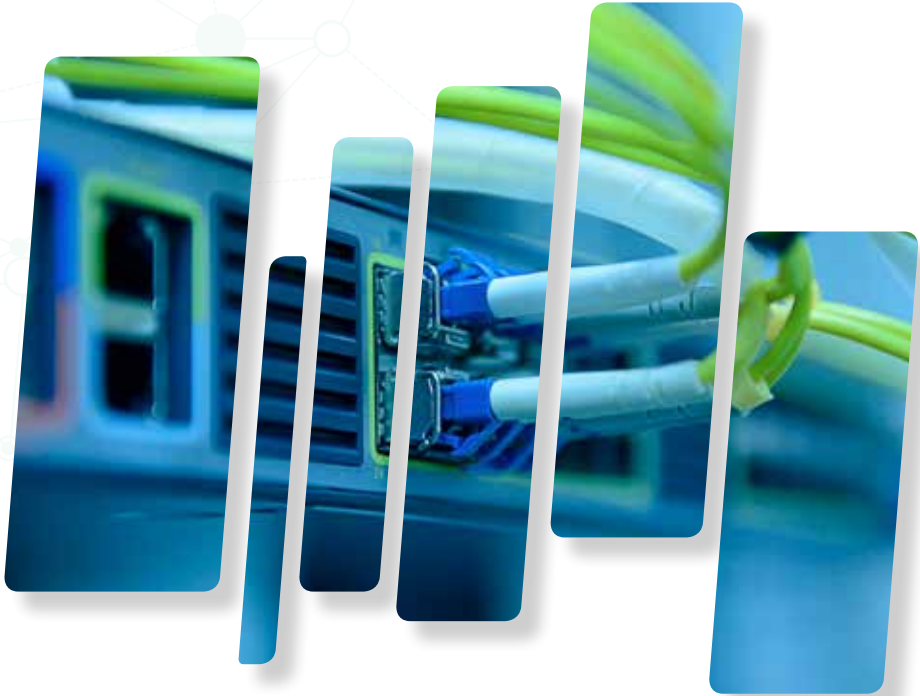
# SUSTAINABILITY REPORT

GRI standard & disclosure title	Section reference	Page
<b>Stakeholder engagement</b>		
102-40	List of stakeholder groups	Sustainability Report > Stakeholder Engagement 17 - 18
102-41	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements -
102-42	Identifying and selecting stakeholders	Sustainability Report > Stakeholder Engagement 17 - 18
102-43	Approach to stakeholder engagement	Sustainability Report > Stakeholder Engagement 17 - 18
102-44	Key topics and concerns raised	<ul style="list-style-type: none"> <li>Sustainability Report &gt; Stakeholder Engagement 17 - 18</li> <li>Sustainability Report &gt; Material Factors &gt; Total Customer Satisfaction 22 - 23</li> </ul>
<b>Reporting practice</b>		
102-45	Entities included in the consolidated financial statements	<ul style="list-style-type: none"> <li>Sustainability Report &gt; Reporting Period and Scope 17</li> <li>Group Structure 43</li> <li>Financial Contents &gt; Notes to the Financial Statements &gt; Investments in Subsidiaries 133 - 142</li> </ul>
102-46	Defining report content and topic Boundaries	Sustainability Report > Policy, Practice and Performance Reporting > Sustainability Reporting Processes 19
102-47	List of material topics	Sustainability Report > Material Factors 20 - 30
102-48	Restatements of information	None -
102-49	Changes in reporting	None -
102-50	Reporting period	Sustainability Report > Reporting Period and Scope 17
102-51	Date of most recent report	Sustainability Report FY2019 -
102-52	Reporting cycle	Sustainability Report > Reporting Period and Scope 17
102-53	Contact point for questions regarding the report	Sustainability Report > Feedback 17
102-54	Claims of reporting in accordance with the GRI Standards	<ul style="list-style-type: none"> <li>Sustainability Report &gt; Reporting Framework 17</li> <li>Sustainability Report &gt; GRI Content Index 32 - 35</li> </ul>
102-55	GRI content index	Sustainability Report > GRI Content Index 32 - 35
102-56	External assurance	We may seek external assurance in the future -

# SUSTAINABILITY REPORT

GRI standard & disclosure title		Section reference	Page
<b>Management approach</b>			
103-1	Explanation of the material topic and its Boundary	Sustainability Report > Material Factors	20 - 30
103-2	The management approach and its components	<ul style="list-style-type: none"> <li>• Sustainability Report &gt; Board Statement</li> <li>• Sustainability Report &gt; Policy, Practice and Performance Reporting</li> <li>• Sustainability Report &gt; Material Factors</li> </ul>	13 - 15 19 - 20 20 - 30
103-3	Evaluation of the management approach	Sustainability Report > Material Factors	20 - 30
<b>Category: Economic</b>			
201-1	Direct economic value generated and distributed	<ul style="list-style-type: none"> <li>• Sustainability Report &gt; Sustainable Business Performance</li> <li>• Operations Review</li> <li>• Financial Highlights</li> <li>• Financial Review</li> <li>• Financial Contents &gt; Statements of Financial Position</li> <li>• Financial Contents &gt; Consolidated Income Statement</li> <li>• Financial Contents &gt; Consolidated Income Statement and Statement of Comprehensive Income</li> </ul>	23 - 24 36 - 37 44 - 48 49 - 54 96 - 97 98 99
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report > Material Factors > Proactive Anti-Corruption Practices	24
<b>Category: Environmental</b>			
306-2	Waste by type and disposal method	Sustainability Report > Material Factors > Responsible Waste Management	24 - 25
<b>Category: Social</b>			
404-2	Programs for upgrading employee skills and transition assistance programs	Sustainability Report > Material Factors > Employee Retention and Development	27 - 28
405-1	Diversity of governance bodies and employees	Sustainability Report > Material Factors > Equal Employment Opportunity and Safety	25 - 27
413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability Report > Material Factors > Ongoing Community Engagement	28 - 29

# OPERATIONS REVIEW



## IT Business

The IT sector of the Group under the M.Tech companies has expanded in both product range and geographical coverage since its inception in May 2002.

In FY2020, the Group added more leading products, including Armis, Chainalysis, Gigamon, Illumio, McAfee, SecurityScorecard and TANIUM to its product suite during the year. Of the products that it carries, the Group is also the sole distributor for several leading products in selected regions.

The Group is selective in taking up new products to remain focused on selling the best-of-breed IT security products and delivering value added services to major systems integrators and resellers in Singapore and the regions.



**The IT Business of the Group currently has a presence in 29 cities in 15 countries and carries internet security products from industry leading vendors.**



The IT Business of the Group currently has a presence in 29 cities in 15 countries and carries internet security products from industry leading vendors.

# OPERATIONS REVIEW

## PCB Business

Revenue for PCB Business of the Group decreased from \$2.4M in FY2019 to \$2.2M in FY2020, mainly due to lower customer demands and significant reduction of manufacturing capacity of the Group resulting from disposal of the remaining 2 laser machines in Singapore in year 2020.

With the significant reduction in the number of machines, the revenue growth in PCB division is expected to further reduce in 2021.

As at 31 December 2020, the Group has 7 CNC drilling machines.



**As at 31 December 2020,  
the Group has 7 CNC  
drilling machines.**



# PROSPECTS AND FUTURE PLAN

Imperva, McAfee, Proofpoint, Riverbed, RSA, Solarwinds, Symantec (a division of Broadcom) and Trend Micro.

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

As at 31 December 2020, the Group's IT business had a presence in 29 cities in 15 countries in the Asia Pacific Region and Europe. M.Tech offices in countries that are already mature in operations are expected to contribute more to the Group's performance.

The near term outlook in the IT business is dependent on events such as political or economic in nature and such events could affect business in certain markets. With the current global COVID-19 pandemic, the global economic outlook remains uncertain which in turn will affect the Group's business. However, IT is still a critical

## IT Business

The IT business through Singapore and the regional offices achieved a year-on-year revenue growth of 5.3% on a full year basis.

The Group has a focused strategy of selling and promoting only the best-of-breed IT products. Among the products the Group currently carries are industry-leading IT products from Check Point, CyberArk,



# PROSPECTS AND FUTURE PLAN

requirement in businesses and security will continue to remain an integral part of the IT infrastructure. This should augur well for the Group's business.

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

## PCB Business

Revenue in PCB division

remained relatively unchanged over the corresponding periods in year 2019.

With the reduction in the number of drilling machines, the revenue growth in PCB division is expected to reduce in Year 2021.

As at 31 December 2020, the Group had 7 mechanical drilling machines in Singapore.

## Risk Factors

The Group's primary business risk is in its



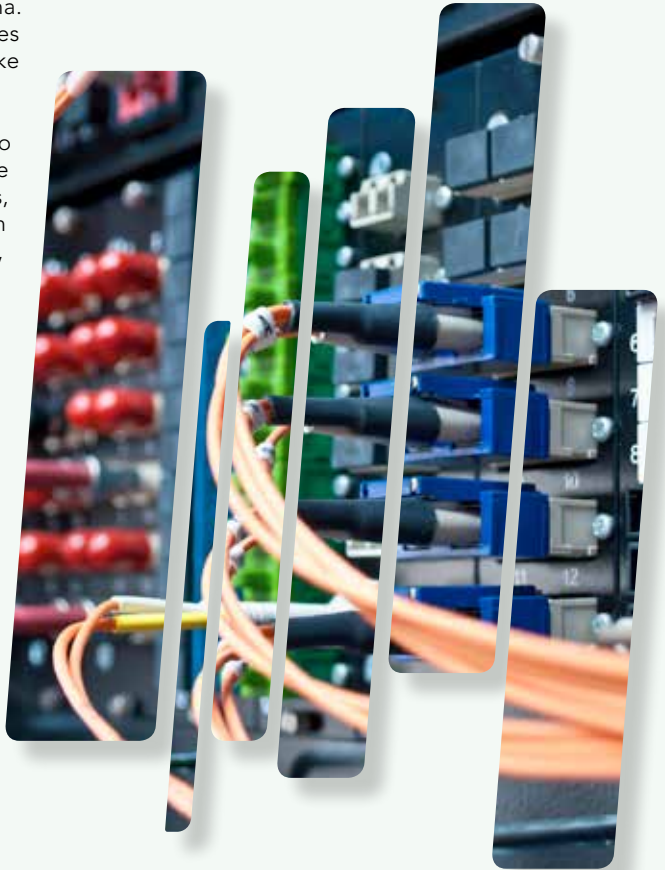
# PROSPECTS AND FUTURE PLAN

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

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

The Group is also exposed to the political, legal and economic climates of the country in which the Group is operating.

Economic and political conditions are still key factors in determining the level of IT spending.



# SIGNIFICANT EVENTS

## 1<sup>ST</sup> QUARTER

- ➔ M.Tech distributes Chainalysis in Asia-Pacific (excluding North Korea and China).
- ➔ M.Tech distributes McAfee in China, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

## 2<sup>ND</sup> QUARTER

- ➔ M.Tech distributes Seclore in India.
- ➔ M.Tech distributes Illumio in India, Indonesia, Malaysia and Singapore.

## 3<sup>RD</sup> QUARTER

- ➔ M.Tech distributes safe-t in Vietnam.
- ➔ M.Tech distributes TANIUM in India, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
- ➔ M.Tech distributes Gigamon in India, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
- ➔ M.Tech distributes Citrix in Cambodia, Laos, Myanmar and Vietnam.

## 4<sup>TH</sup> QUARTER

- ➔ Multi-Chem's subsidiary, Multi-Chem Electronics (Kunshan) Co., Ltd completed member's voluntary liquidation process.
- ➔ M.Tech distributes Cato in India & SAARC.

# FINANCIAL CALENDAR

J U N E  
2020

Annual General Meeting

26

A U G U S T  
2020

Announcement of  
2020 half year results

03

F E B R U A R Y  
2021

Announcement of  
2020 full year results

08

A P R I L  
2021

Annual General Meeting

29

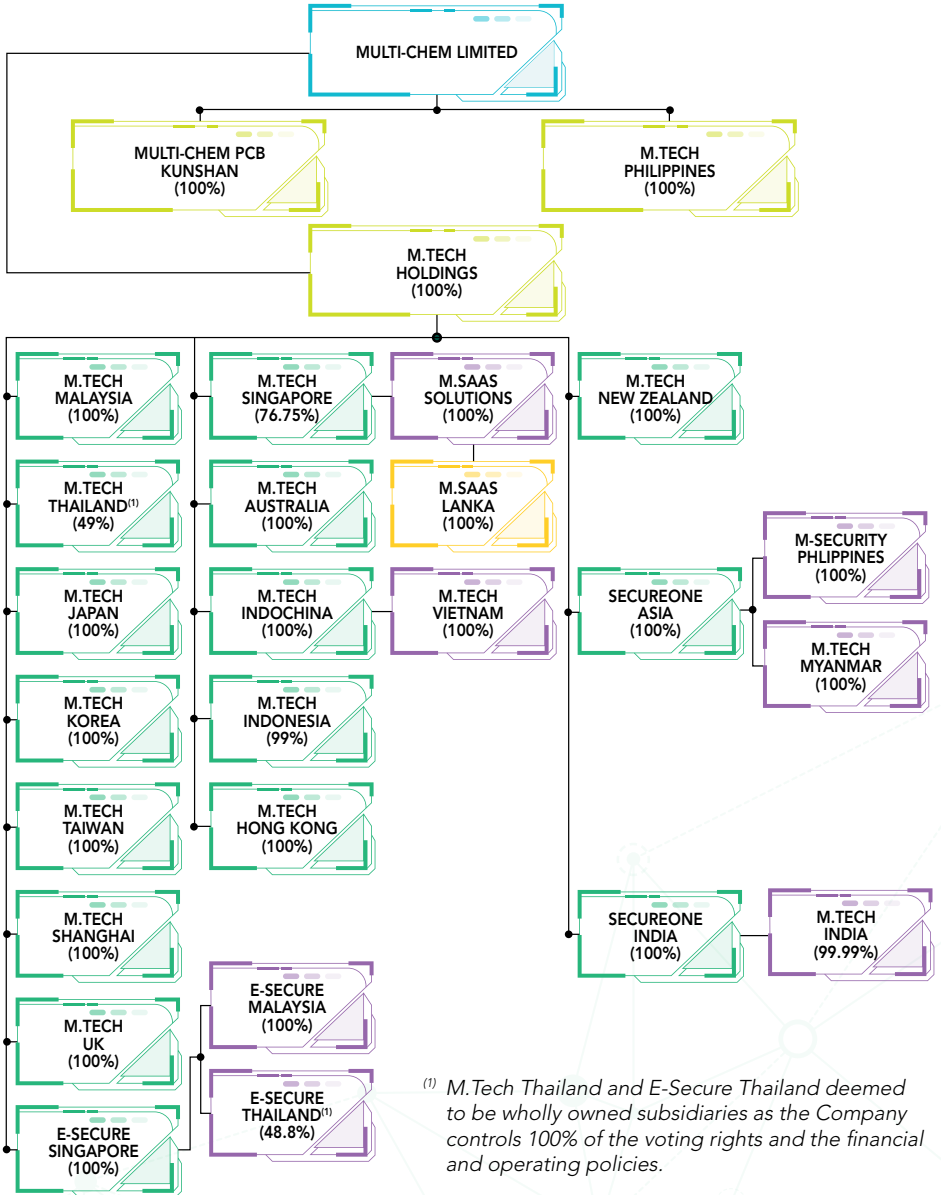
A U G U S T  
2021

Announcement of  
2021 half year results

F E B R U A R Y  
2022

Announcement of  
2021 full year results

# GROUP STRUCTURE



<sup>(1)</sup> M.Tech Thailand and E-Secure Thailand deemed to be wholly owned subsidiaries as the Company controls 100% of the voting rights and the financial and operating policies.

# FINANCIAL HIGHLIGHTS

## GROUP BALANCE SHEET

As At 31 December (\$'000)	2020	2019	2018	2017	2016
Property, plant and equipment	9,922	10,169	12,451	10,571	17,431
Investment in life insurance plan	4,384	4,333	4,260	4,092	4,290
Other non-current assets	11,948	11,540	5,077	3,812	3,934
Current assets	247,154	239,890	210,953	211,388	167,726
Current liabilities	(140,555)	(144,644)	(119,326)	(117,327)	(85,475)
Net current assets	106,599	95,246	91,627	94,061	82,251
Long term borrowings	-	(410)	(869)	(1,310)	(1,956)
Deferred tax liabilities	(717)	(673)	(482)	(65)	(4)
Other non-current liability	(5,305)	(5,747)	(3,190)	(2,296)	(1,380)
	<b>126,831</b>	<b>114,458</b>	<b>108,874</b>	<b>108,865</b>	<b>104,566</b>
Share capital	37,288	37,288	37,288	37,288	37,288
Foreign currency translation (account)/reserve	(2,364)	(1,413)	(465)	500	3,433
Other reserves	473	2,531	3,499	5,692	5,563
Retained earnings	79,129	65,209	59,415	57,308	50,388
	<b>114,526</b>	<b>103,615</b>	<b>99,737</b>	<b>100,788</b>	<b>96,672</b>
Non-controlling interest	12,305	10,843	9,137	8,077	7,894
	<b>126,831</b>	<b>114,458</b>	<b>108,874</b>	<b>108,865</b>	<b>104,566</b>

# FINANCIAL HIGHLIGHTS

## GROUP PROFIT & LOSS

Year Ended (\$'000)	2020	2019	2018	2017	2016
Turnover	479,714	455,795	431,330	415,951	361,450
Gross profit	71,642	65,907	60,736	60,198	56,663
Other income	7,153	3,457	1,850	5,459	3,427
Earnings before interest, tax, depreciation & amortisation (EBITA)	28,988	18,260	14,600	18,917	19,262
Depreciation & amortisation	(2,776)	(2,777)	(2,167)	(2,831)	(4,186)
Interest expense	(388)	(923)	(541)	(392)	(443)
Profit before income tax (PBT)	25,824	14,560	11,892	15,694	14,633
Income tax expense	(6,256)	(4,808)	(5,219)	(3,855)	(3,836)
Net profit	19,568	9,752	6,673	11,839	10,797
Non-controlling interests	(1,792)	(1,916)	(1,108)	(872)	(1,057)
Equity holders of the Company	17,776	7,836	5,565	10,967	9,740

## ANALYSIS (%)

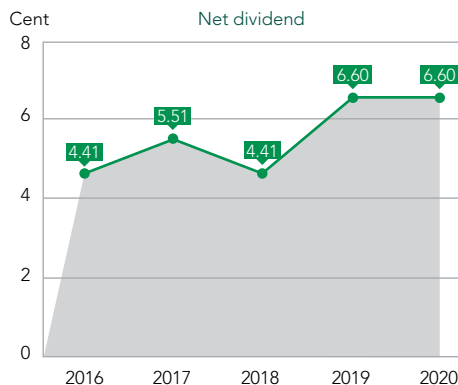
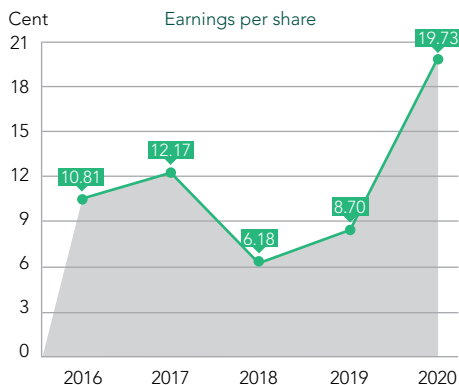
Year	2020	2019	2018	2017	2016
Gross profit margin	14.9	14.5	14.1	14.5	15.7
PBT margin	5.4	3.2	2.8	3.8	4.0
Turnover increase	5.2	5.7	3.7	15.1	4.1
PBT increase/(decrease)	77.4	22.4	(24.2)	7.3	66.5
Net profit increase/(decrease)	100.7	46.1	(43.6)	9.7	79.3

# FINANCIAL HIGHLIGHTS

## PER SHARE DATA

(cents, unless otherwise stated)

	2020	2019	2018	2017	2016
Net earnings (basic) <sup>1</sup>	19.73	8.70	6.18	12.17	10.81
Net earnings (fully diluted) <sup>2</sup>	19.73	8.70	6.18	12.17	10.81
Net dividend	6.60	6.60	4.41	5.51	4.41
Net dividend payout (times)	0.33	0.76	0.71	0.45	0.41
Net assets value <sup>3</sup>	127.12	115.01	110.7	111.87	107.30
Gross dividend	6.60	6.60	4.41	5.51	4.41
Gross dividend yield (%) <sup>4</sup>	4.85	8.46	5.73	6.33	6.68
1 Numbers of shares used in the above computation (M)	90.1	90.1	90.1	90.1	90.1
2 Numbers of shares used in the above computation (M)	90.1	90.1	90.1	90.1	90.1
3 Numbers of shares used in the above computation (M)	90.1	90.1	90.1	90.1	90.1
4 Based on the closing share price as at the last market day of the year	136.0	78.0	77.0	87.0	66.0

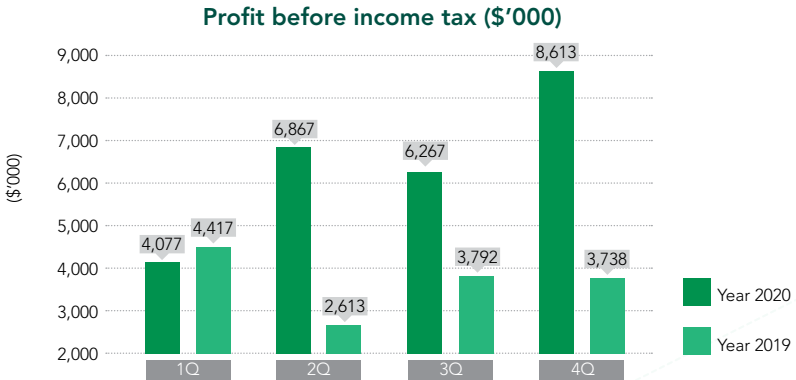
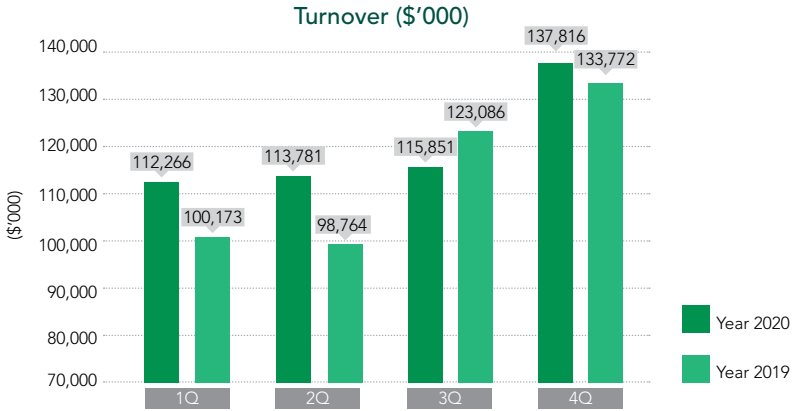


## FINANCIAL RATIOS

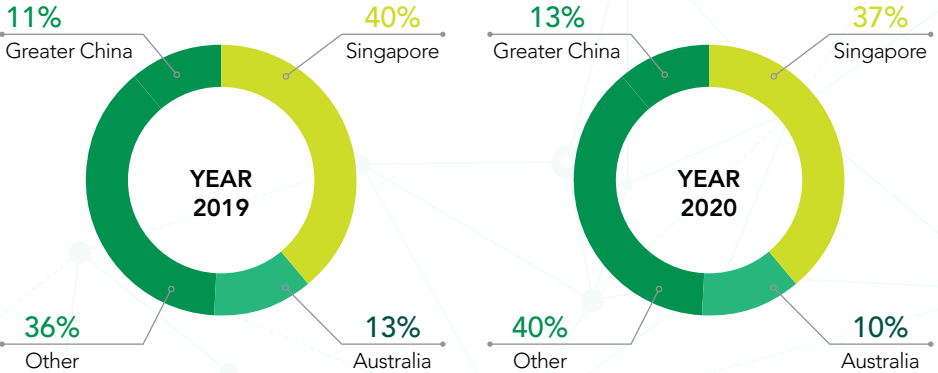
	2020	2019	2018	2017	2016
Current ratio (times)	1.76	1.66	1.77	1.80	1.94
Return on shareholder's funds (%)	15.52	7.56	5.58	10.88	10.08
Return on assets employed (%)	6.50	2.95	2.39	4.77	5.04
Debt equity ratio	0.04	0.20	0.19	0.24	0.11
Debt interest cover	5.63	0.77	0.73	0.76	1.92



# FINANCIAL HIGHLIGHTS



### Group Turnover By Geographical Segments



# FINANCIAL HIGHLIGHTS

## SEGMENTAL INFORMATION

### BY BUSINESS SEGMENTS

Year Ended (\$'000)	PCB Business		IT Business		Total	
	2020	2019	2020	2019	2020	2019
<b>Turnover</b>						
1st Quarter	530	782	111,736	99,391	112,266	100,173
2nd Quarter	548	572	113,233	98,192	113,781	98,764
3rd Quarter	553	464	115,298	122,622	115,851	123,086
4th Quarter	539	544	137,277	133,228	137,816	133,772
	<b>2,170</b>	<b>2,362</b>	<b>477,544</b>	<b>453,433</b>	<b>479,714</b>	<b>455,795</b>
<b>Segment results</b>						
1st Quarter	2,560	835	1,517	3,582	4,077	4,417
2nd Quarter	(1,731)	(1,377)	8,598	3,990	6,867	2,613
3rd Quarter	(1,045)	(908)	7,312	4,700	6,267	3,792
4th Quarter	(1,171)	(1,064)	9,784	4,802	8,613	3,738
	<b>(1,387)</b>	<b>(2,514)</b>	<b>27,211</b>	<b>17,074</b>	<b>25,824</b>	<b>14,560</b>

### BY GEOGRAPHICAL SEGMENTS

Year Ended (\$'000)	Singapore		Greater China		Australia		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
1st Quarter	39,236	39,885	17,241	11,076	11,722	11,084	44,067	38,128	112,266	100,173
2nd Quarter	50,315	34,967	8,761	9,350	17,924	15,278	36,781	39,169	113,781	98,764
3rd Quarter	38,339	53,352	17,402	17,007	12,584	13,470	47,526	39,257	115,851	123,086
4th Quarter	50,064	55,557	18,089	14,415	8,045	16,826	61,618	46,974	137,816	133,772
	<b>177,954</b>	<b>183,761</b>	<b>61,493</b>	<b>51,848</b>	<b>50,275</b>	<b>56,658</b>	<b>189,992</b>	<b>163,528</b>	<b>479,714</b>	<b>455,795</b>

# FINANCIAL REVIEW

## REVENUE

The Group achieved revenue of \$253.7M for the six months ended 31 December 2020 ("2H2020"), a decrease of 1.2% or \$3.2M compared to the revenue of \$256.9M for the six months ended 31 December 2019 ("2H2019"). For the twelve months ended 31 December 2020 ("12M2020"), the Group achieved revenue of \$479.7M, a year-on-year increase of 5.2% or \$23.9M, compared to revenue of \$455.8M achieved for the twelve months ended 31 December 2019 ("12M2019").

Comparing 2H2020 to six months ended 30 June 2020 ("1H2020"), the Group revenue

increased by 12.3% or \$27.7M, from \$226.0M in 1H2020 to \$253.7M in 2H2020.



# FINANCIAL REVIEW

## IT Business

The IT Distribution business achieved revenue of \$252.6M in 2H2020, a decrease of 1.3% or \$3.3M, from \$255.9M in 2H2019. On a twelve months basis, this business grew by 5.3% or \$24.1M, from \$453.4M in 12M2019 to \$477.5M in 12M2020.

Comparing 2H2020 to 1H2020, revenue in IT business increased by 12.3% or \$27.7M, from \$224.9M in 1H2020 to \$252.6M in 2H2020.

The increase in revenue for 12M2020 was mainly due to the increase in customer demands arising from the increased reliance on digital technologies during COVID-19 pandemic.

## PCB Business

Revenue in this Division increased marginally by \$84,000, from \$1.0M in 2H2019 to \$1.1M in 2H2020. On a twelve months basis, revenue in this division decreased by 8.0% or \$193,000, from \$2.4M in 12M2019 to \$2.2M in 12M2020. The decrease in revenue was mainly due to lower customer demands and reduction of manufacturing capacity of the Group resulting from disposal of the remaining 2 laser machines in Singapore during 12M2020.

Comparing 2H2020 to 1H2020, revenue in this Division remained at \$1.1M.

## PROFIT BEFORE TAX ("PBT")

The Group registered a PBT of \$14.9M in 2H2020, as compared to \$7.5M in 2H2019.

The increase in PBT was mainly due to the following:

- (1) An increase in gross profit of \$2.8M. The increase in gross profit was mainly due to the better gross profit margin in 2H2020 as compared to 2H2019;
- (2) An increase in other gains of \$1.5M from \$291,000 in 2H2019 to \$1.8M in 2H2020, mainly due to \$1.0M government grant received for the COVID-19 pandemic during 2H2020;
- (3) Net foreign exchange gain of \$1.9M in 2H2020 as compared to net foreign exchange loss of \$490,000 in 2H2019, mainly due to the depreciation of United States dollar against most of the local currencies and appreciation of Renminbi against Singapore dollar in 2H2020. Excluding net foreign exchange difference, the Group reported a PBT of \$13.0M in 2H2020, compared to a PBT of \$8.0M in 2H2019;
- (4) A decrease in loss allowance on third party receivables of \$770,000 from \$2.8M in 2H2019 to \$2.0M in 2H2020 based on the impairment review performed as at 31 December 2020 in accordance to SFRS(I) 9;

# FINANCIAL REVIEW

- (5) A decrease in finance costs of \$333,000 from \$532,000 in 2H2019 to \$199,000 in 2H2020, mainly due to lower bank borrowings drawdown in 2H2020; and
- (6) An increase in interest income of \$166,000 from \$349,000 in 2H2019 to \$515,000 in 2H2020, mainly due to interest on fixed deposits and tax refunds received in 2H2020.

The increase in PBT was however ameliorated by the following:

- (1) An increase in allowance for inventory obsolescence of \$548,000 from \$1.5M in 2H2019 to \$2.1M in 2H2020, based on the review of inventory obsolescence performed as at 31 December 2020; and
- (2) An increase in third party trade receivables written off of \$160,000 from \$23,000 in 2H2019 to \$183,000 in 2H2020.

Comparing 2H2020 to 1H2020, the Group PBT stood at \$14.9M in 2H2020 as compared to \$10.9M in 1H2020. The increase was mainly due to higher gross profit in 2H2020 as a result of higher revenue and margins and higher net foreign exchange gain in 2H2020, offset by loss allowance on third party trade receivables in 2H2020 as compared to reversal of allowance on third party trade receivables in 1H2020.

## PROFIT AFTER TAX ("PAT")

In 2H2020, the Group achieved PAT of \$11.2M as compared to \$4.9M in 2H2019, mainly due to the increase in PBT, offset by the increase in tax expenses. The increase in tax expenses from \$2.6M in 2H2019 to \$3.7M in 2H2020 was mainly due to higher profit attained in 2H2020.

Comparing 2H2020 to 1H2020, Group PAT increased by 33.3% or \$2.8M, from a profit after tax of \$8.4M in 1H2020 to a profit of \$11.2M in 2H2020 and this is in line with the increase in PBT.

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

## STATEMENTS OF FINANCIAL POSITION REVIEW

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

Property, plant and equipment decreased by \$247,000 and \$385,000 at the Group and the Company level respectively mainly due to depreciation charge and disposal of plant and equipment, net of purchases of plant and equipment in Year 2020.

Investment in subsidiaries decreased by \$9.4M at the Company level due to capital return from one subsidiary liquidated in Year 2020.

Club memberships at the Group level increased by \$167,000 from \$568,000 to \$735,000 mainly due to purchase of club membership, net of amortisation charge in Year 2020. Club membership at Company level remained unchanged.

Right-of-use assets decreased by \$798,000 at the Group level mainly due to depreciation charge, net of new long-term leases capitalized in Year 2020. At the Company level, right-of-use assets decreased by \$46,000 due to depreciation charge in Year 2020.

# FINANCIAL REVIEW

Financial asset, at FVOCI refers to financial asset at fair value through other comprehensive income. The Group has elected to classify equity investments, which are not accounted for as subsidiary, associate or jointly controlled entity, as financial asset at fair value through other comprehensive income. This increased by \$552,000 at the Group level due to new investment in listed equity instrument, and fair value change in Year 2020. There was no financial asset, at FVOCI at the Company level.

Cash and cash equivalents at the Group level increased by \$18.1M from \$59.6M to \$77.7M. The increase was mainly due to collection from trade and other receivables and proceeds from bank borrowings, net of repayment of bank borrowings. At the Company level, cash and cash equivalents increased by \$1.2M from \$9.3M to \$10.5M mainly due to repayment from a subsidiary, capital return received from a subsidiary, net of repayment of bank borrowings and dividends paid to shareholders.

Trade and other receivables of the Group decreased by \$11.7M from \$138.5M to \$126.8M, mainly due to collection received from customers in Year 2020. At the Company level, trade and other receivables decreased by \$284,000 from \$31.7M to \$31.4M, mainly due to repayment from a subsidiary.

Inventories at the Group level increased by \$3.6M from \$39.7M to \$43.3M mainly due to the increase in IT inventories to cater for contracts not yet fulfilled. Inventories at the Company level remain relatively unchanged.

Prepayments decreased by \$449,000 and \$83,000 at the Group and the Company level respectively mainly due to realisation of expenses in Year 2020.

Current income tax recoverable decreased by \$2.3M from \$4.5M to \$2.2M at the Group level mainly due to tax refund received in Year 2020. There was no current income tax recoverable at the Company level.

Trade and other payables increased by \$13.6M from \$103.7M to \$117.3M at the Group level mainly due to increased purchases corresponding with the increase in revenue in Year 2020. At the Company level, trade and other payables increased by \$1.4M from \$2.7M to \$4.1M mainly due to the increase in accrued operating expenses in Year 2020.

Contract liabilities decreased by \$1.1M from \$17.2M to \$16.1M at the Group level mainly due to decrease in advance billings to customers. There was no contract liability at the Company level.

Current income tax payable increased by \$1.6M from \$2.6M to \$4.2M at the Group level mainly due to higher taxable profits. There was no current income tax payable at the Company level.

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

Lease liabilities decreased by \$669,000 and \$38,000 at the Group and the Company level respectively mainly due to repayments made in Year 2020.

Foreign currency translation account increased by \$1.0M from \$1.4M to \$2.4M at the Group level mainly due to depreciation of United States dollar against Singapore dollar.

# FINANCIAL REVIEW

Other reserves decreased by \$2.1M from \$2.5M to \$473,000 mainly due to the decrease in statutory reserve as a result of liquidation of a subsidiary.

## INDEBTEDNESS

The amount of Group's borrowings is as set out below:

Year Ended (\$'000)	2020	2019
Due within 1 year:		
Bank borrowings	4,763	22,895
Due after 1 year:		
Bank borrowings	-	410
<b>Total debt</b>	<b>4,763</b>	<b>23,305</b>
Debt equity ratio	0.04	0.20
Debt interest cover	5.63	0.77

Working capital of the Group stood at \$106.6M and \$95.2M as at 31 December 2020 and 31 December 2019 respectively. The increase was mainly due to the increase in cash and bank balances and the decrease

in bank borrowings, net of the decrease in trade and other receivables, and increase in trade and other payables.

At the Company level, working capital stood at \$34.6M and \$30.1M as at 31 December 2020 and 31 December 2019 respectively. Current assets at the Company level as at 31 December 2020 comprised mainly trade and other receivables of \$31.4M, and this decreased by 0.9% from \$31.7M as at 31 December 2019 mainly due to repayment from a subsidiary. Cash and bank balances increased by \$1.2M from \$9.3M as at 31 December 2019 to \$10.5M as at 31 December 2020 mainly due to repayment from a subsidiary, capital return received from a subsidiary, net of repayment of bank borrowings and dividends paid to shareholders. Current liabilities comprised mainly bank borrowings and trade and other payables. Bank borrowings comprised mainly short term loans to finance the working capital expenditure of the Company and its subsidiaries and to finance the Company's investment in life insurance plan.

## CASH FLOW ANALYSIS

The movement in cash and cash equivalents is set out as follows:

Year Ended (\$'000)	2020	2019
Cash flows provided by operating activities	47,141	3,202
Cash flows (used in)/provided by investing activities	(1,588)	1,890
Cash flows used in financing activities	(27,176)	(4,509)
<b>Net increase in cash and cash equivalents</b>	<b>18,377</b>	<b>583</b>
Cash and cash equivalents at beginning of the financial year	50,532	50,400
Effect of exchange rate changes on cash and cash equivalents	(1,299)	(451)
<b>Cash and cash equivalents at end of the financial year</b>	<b>67,610</b>	<b>50,532</b>

# FINANCIAL REVIEW



Net cash of \$47.1M was generated from operating activities in 12M2020, as compared to net cash of \$3.2M generated in 12M2019. This was mainly due to higher profit before income tax and increase in collection from customers.

Net cash of \$1.6M was used in investing activities in 12M2020, as compared to net cash of \$1.9M generated in 12M2019. The change was mainly due to purchase of plant and equipment of \$1.1M and purchase of financial assets, at FVOCI of \$442,000, net of proceeds from disposal of plant and equipment of \$154,000 in 12M2020, as compared to proceeds from disposal of property, plant and equipment of \$3.2M, net of purchase of plant and equipment of \$1.2M in 12M2019.

Net cash of \$27.2M was used in financing activities in 12M2020, as compared to net cash of \$4.5M used in financing activities in 12M2019. This was mainly due to repayment of bank borrowings of \$46.8M, payment of dividend of \$5.9M, fixed deposits pledged of \$704,000 and repayment of lease liabilities of \$1.2M, net of proceeds from bank borrowings of \$27.9M in 12M2020, as compared to repayment of bank borrowings of \$54.1M, payment of dividend of \$3.0M, fixed deposits pledged of \$2.7M and repayment of lease liabilities of \$939,000, net of proceeds from bank borrowings of \$57.1M in 12M2019.

Cash and cash equivalents stood at \$67.6M as at end of 31 December 2020, up from \$50.5M as at end of 31 december 2019.



# VALUE ADDED STATEMENT

Year Ended	2020	2019
	\$'000	\$'000
Sales	479,714	455,795
Purchase of goods & services	(420,792)	(404,361)
<b>Gross value added from operations</b>	<b>58,922</b>	<b>51,434</b>
Other operating income	5,106	3,377
Exchange gain	2,047	80
<b>Total value added</b>	<b>66,075</b>	<b>54,891</b>
<b>Distribution:</b>		
To employees in salaries & other staff related costs	37,087	36,631
To government in corporate and other taxes	6,256	4,808
To providers of capital		
– Finance costs	388	923
Retained in the business		
– Depreciation and amortisation	2,776	2,777
– Non-controlling interests	1,792	1,916
– Retained earnings	17,776	7,836
<b>Total distribution</b>	<b>66,075</b>	<b>54,891</b>
<b>Productivity Data</b>		
Average numbers of employees	656	650
Sales per employee (\$'000)	731	701
Value added per employee (\$'000)	101	84
Value added per \$ employment cost	1.78	1.50
Value added per \$ net sales	0.14	0.12

# INVESTOR RELATIONS

Multi-Chem recognises the importance of good investor relations and has made positive strides in this area. The Company has been keeping shareholders and the investing community updated on the key developments of the Group through regular announcements on SGXNET.

Multi-Chem has always made efforts to announce our results early. With the revised risk-based framework announced by Singapore Exchange Regulation which is effective on 7 February 2020, the Company announces its half yearly results to provide investors prompt half yearly updates of financial and business development of the Group.

The Company has its own corporate website [www.multichem.com.sg](http://www.multichem.com.sg) while its IT security arm has its own website [www.mtechpro.com](http://www.mtechpro.com) to provide information on its products and services.

The Company will respond within two working days to all calls and emails requesting for information.

Investors are encouraged to refer to the investor guides on SGX website in regards to how to read annual reports and how to prepare for Annual General Meeting.

We will continue to place emphasis on good investor relations and make efforts on improving the information flow so that awareness about the Group and its business can be built.



# CORPORATE GOVERNANCE REPORT

Corporate governance refers to the processes and structure by which the business and affairs of the Company are directed and managed. The Board recognises that sound corporate governance is an essential part of good business practices and corporate accountability. The Company has adopted the Code of Corporate Governance 2018 ("2018 Code") for its corporate governance practices with reference to the Principles and Provisions of the 2018 Code. To the extent the Company's practices may vary from any Provisions of the 2018 Code, the Company will explain how its practices are consistent with the intent of the relevant Principles of the 2018 Code.

## BOARD MATTERS

### Principle 1: The Board's Conduct of Affairs

The Company is led by the Board of Directors who is responsible for setting the Group's strategic vision, direction and long-term goals, for management and internal control, for approval of major projects and significant financing matters, and approval of the release of half yearly reports after the Company no longer required to release its financial statements on a quarterly basis. However, the Board continues to meet on quarterly basis. The Board provides entrepreneurial leadership, establishes effective controls to assess and manage risks as well as safeguarding shareholders' interests and Company's assets, identify key stakeholder groups and recognise their perceptions affect the Company's reputation, set Company's values and standards and consider sustainability issues as part of its strategic formulation. The Board works closely with the management and reviews management performance for the long-term success of the Company. Directors are fiduciaries who make objective decisions in the best interests of the Company and keep Management accountable. Directors monitor Management through various mechanisms in the form of policies established to address risk management and internal controls, develop organisational culture, share conduct and ethics with appropriate tone-from-the-top through conversations in each of the meetings attended by key management personnel and Directors. Should any conflict of interest arise during the meeting, the particular Director is to disclose his interest and recuse from the meeting after providing his views.

The Board has approved an annual training budget for each Director to attend relevant training and professional development programmes. Directors are encouraged to attend programmes organised by the Accounting and Corporate Regulatory Authority and the Singapore Institute of Directors. Each director will determine the courses best suited to that director to develop relevant competencies for effective discharge of duties as a director. In 2020, the Directors attended courses organised by the Singapore Institute of Directors. During the year, the Board was briefed on the latest changes to the Listing Manual requirements, developments in accounting by the external auditor, updates on internal controls from the internal auditor and business development from the Chief Executive Officer ("CEO"). The Board also receives relevant updates, if required, on changes in the business environment, relevant new laws, regulations and changing commercial risk.

Any newly appointed Director will be given briefings on the business activities of the Group, its strategic directions, governance practices and Director's duties and obligations. He/she will be given the opportunity to visit the Group's operational facilities to gain a better understanding of the Group's business operations. Upon appointment of a Director, the Company provides a formal letter of appointment to the Director. No new Director was appointed in 2020.

# CORPORATE GOVERNANCE REPORT

Matters that are reserved for the Board include broad policy decisions, material acquisitions and disposals of assets, approval of the nomination of Directors, announceable matters to the Singapore Exchange Securities Trading Limited ("SGX-ST"), proposal of dividends, approval of Statement by Directors and audited financial statements, corporate or financial restructuring and other significant corporate actions. In addition to physical meetings, written resolutions are on occasion also circulated to the Directors for approval.

Board approval has to be sought for transactions not in the ordinary course of business if any such transaction exceeds \$2.0M in value. To facilitate operational efficiency, Board approval would not be required for day-to-day decisions and matters that are operational in nature, even though such single transaction may exceed \$2.0M in value.

The Board has delegated certain functions to various Board committees, namely the Audit and Risk Management Committee ("ARMC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"). Each of the Committees has written terms of reference with authority to examine particular issues and report to the Board with their recommendations. The ultimate responsibility lies with the Board.

The Board meets at least once on a quarterly basis even though the announcement of the Group's results are on a half yearly basis. Where circumstances require, the Board will arrange for telephonic and videoconference meetings. Minutes of all Board Committee and Board Meetings are circulated to its members for review and confirmation. These minutes enable Directors to be kept abreast of matters discussed at such meetings. Matters arising from each meeting will be followed-up and reported to the Board. The number of board meetings held in 2020 and attendance of every Director at the Board meetings and respective Board Committees meetings are disclosed as follows:

Name of Director	Board		ARMC		RC		NC	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Lim Keng Jin (Chairman, Non-executive and Independent Director)	2	2	2	2	1	1	1	1
Foo Suan Sai (Chief Executive Officer)	2	2	-	-	-	-	1	1
Han Juat Hoon (Chief Operating Officer)	2	2	-	-	-	-	-	-
Foo Fang Yong (Executive Director)	2	2	-	-	-	-	-	-
Wong Meng Yeng (Non-executive and Independent Director)	2	2	2	2	1	1	1	1
Neo Mok Choon (Non-executive and Independent Director)	2	2	2	2	1	1	1	1
Foo Maw Shen (Non-executive and Independent Director)	2	2	2	2	1	1	1	1

# CORPORATE GOVERNANCE REPORT

Additional meetings may be convened on ad-hoc basis, as necessary, from time to time. Where appropriate, Directors made decisions by passing resolutions in writing as if it had been passed at the Directors' meeting. Timely communication with members of the Board is effected through electronic means which include electronic mail and teleconferencing. Management circulates reports relating to operational and financial performance of the Group and Company prior to the Board meetings with complete, adequate and timely information and on an ongoing basis. Information provided includes internal financial statements, budgets and forecasts with explanation for any material variances. The information enables Directors to engage in meaningful discussions to make informed decisions. Additional reports are also available upon request. Monthly management accounts are also provided to the Directors.

All Directors have unrestricted access to the Group's records and information. The Directors have also been provided with the phone numbers and email particulars of the key management personnel and Company Secretary for separate and independent access. The Company Secretary works with the Chairman of the Board and Board Committees in preparing the agenda for meetings and/or reviewing the relevance of the items in the proposed agenda. The role of the Company Secretary includes responsibility for ensuring Board procedures are followed and that applicable rules and regulations are complied with and provides the Board with regular updates of the latest governance and listing policies. The Company Secretary attends all Board and Board Committees Meetings. The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

## **Principle 2: Board Composition and Guidance**

Currently, the Board consists of seven members, out of whom four are non-executive and independent Directors. There is a strong and independent element on the Board with independent and non-executive Directors making up a majority of the Board.

The independence of each Director is reviewed annually by the NC. The criterion of Independence is based on the guidelines provided in the 2018 Code. An independent director represents the minority shareholders and he is independent in conduct, character and able to exercise independent business judgement in the best interests of the Company and has no relationships with the Company, related corporations, its substantial shareholders or officers, management and/or companies within the Group. Among the items the NC considers while reviewing the independence are:-

1. Whether a director, or a director whose immediate family member, in the current or immediate past financial year, provided to or received from the Company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services), other than compensation for board service.
2. Whether a director, or a director whose immediate family member, in the current or immediate past financial year, is or was, a substantial shareholder or a partner in (with 5% or more stake), or an executive officer of, or a director of, any organisation which provided to or received from the Company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services). Payments aggregated over any financial year in excess of S\$200,000 should generally be deemed significant irrespective of whether they constitute a significant portion of the revenue of the organisation in question.

# CORPORATE GOVERNANCE REPORT

3. Whether a director is or has been directly associated with a substantial shareholder of the Company, in the current or immediate past financial year.

The Board reviewed independence of Directors annually based on Rule 210(5)(d) of the Listing Manual which sets out the specific circumstances in which a director should be deemed non-independent. These circumstances include:

- (a) a director who is being employed by the Company or any of its related corporations for the current or any of the past three financial years;
- (b) a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the Remuneration Committee (RC).

The NC also reviewed the declaration of independence of each director and was satisfied that all Independent Directors were considered independent for the purpose of Provision 2.1 of the 2018 Code and Rule 210(5)(d) of the Listing Manual. The Independent Directors do not have any relationship with the Company, related corporations, its substantial shareholders or officers. The Independent Directors are not employees of any company within the Group and they bring diverse experience to the Company's decision-making process. Apart from receiving Director's fees, they do not have any other material pecuniary relationship or transactions with companies within the Group or the management, which in the judgement of the Board may affect their independence of judgement.

Particular attention is given to review and assess the independence of any director as at FY2020 who has served beyond 9 years from the date of appointment. Mr Wong Meng Yeng and Mr Lim Keng Jin have served the Board beyond 9 years and they were subject to rigorous review.

The Board has conducted a review of the performance of each of the two Independent Directors based on a set of criteria. The Board had rigorously reviewed and agreed that the Directors concerned, Mr Wong Meng Yeng and Mr Lim Keng Jin, had participated, deliberated and expressed their views independently at all times, presenting objective and constructive challenges to the assumptions and viewpoints by Management. The Board has benefited from valuable insight from the presence of the Directors concerned who have over time gained valuable insight into the Group and its markets. The Board considered each of the Directors concerned brings invaluable expertise, experience and knowledge to the Board. The Directors concerned, who are familiar with the business, will continue to contribute positively to the deliberation of the Board and Board Committees. The independence of character and judgement of each of the Directors concerned was not in any way affected or impaired by the length of service. The Board has determined that Mr Wong Meng Yeng and Mr Lim Keng Jin remained independent of character and judgement. The Board is satisfied that Mr Wong Meng Yeng and Mr Lim Keng Jin can continue to discharge their duties objectively. No NC member is involved in the deliberation in respect of his independence.

The Board, has considered the need for progressive refreshing of the Board. The Board concurred with the NC for the progressive refreshing of the Board considering the scope and nature of the Company's operations and requirements of the business in a global market. However, the Board agreed that progressive Board refreshing should take place without undue disruptions and properly planned. Meanwhile, the continuing of the Board members ensures that the diverse experiences and pattern-recognition skills of experienced directors in the Board enable them to add significant value to the Company. Hence, the progressive refreshing of the Board and

# CORPORATE GOVERNANCE REPORT

continual of Board members must be balanced with the need for continuity with benefits for the Company. The Board was of the view that a director's independence cannot be determined based on the tenure.

With effect from 1 January 2022, a director will not be independent if he has served for an aggregate of more than 9 years and his continued appointment as an independent director has to be sought and approved in separate resolutions by (a) all shareholders and (b) shareholders, excluding the directors and chief executive officer of the issuer, and associates of such directors and chief executive officer (the "Two-Tier Voting"). Such resolutions approved by a Two-Tier Voting may remain in force for three years from the conclusion of the Annual General Meeting ("AGM") following the passing of the resolutions or the retirement or resignation of the director, whichever the earlier. In this connection, the NC has recommended Mr Wong Meng Yeng, Mr Lim Keng Jin and Mr Neo Mok Choon for continued appointment as Independent Directors of the Company at the forthcoming AGM.

The Board concurred with the NC's recommendation and will seek shareholders' approval for continued appointment of Mr Wong Meng Yeng, Mr Lim Keng Jin and Mr Neo Mok Choon as Independent Non-Executive Directors through a Two-Tier Voting process at the forthcoming AGM for purposes of Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022).

In reviewing the continued appointment, the Board has considered the current business environment, and imperative to have Directors who understand the business to be able to interact and work with Management continually through robust exchange of ideas and views presenting constructive feedback. This would facilitate strategic dialogues and decision-making for generating long-term values to various stakeholders.

The Board comprises Directors who are of diverse professions. These include accounting or finance, legal, business or management experience and engineering. The Board is of the view that its size is appropriate for effective decision making taking into account the scope and the nature of the operations of the Company and as a group provides valuable perspectives and knowledge of the Company. There is an appropriate balance and diversity of skills, experience, gender and age. Apart from the diversity of skills and experiences, the Board is also not uni-gender. The Board adopted a diversity policy and worked towards implementing the objectives of a diverse Board to enhance its performance.

The Board acknowledges the important contribution of non-executive directors. Non-executive directors are independent of the management and business or other relationships which could materially interfere with the exercise of independent judgement. Non-executive directors constantly challenge and provide a different perspective or wider view of external factors affecting the Company and its business environment. Non-executive directors also review the performance of management, especially relating to the progress of achieving agreed goals and objectives and monitor the reporting of performance to the Board. In 2020, the non-executive Directors led by the Independent Chairman have met (without management present) on several occasions.

Key information regarding the Directors' academic and professional qualifications and other appointments is set out on page 5 and 64 of the Annual Report.

No individual or small group of individuals dominate the Board's decision making process.

# CORPORATE GOVERNANCE REPORT

## Principle 3: Chairman and Chief Executive Officer (“CEO”)

The roles of Chairman and Chief Executive Officer are separated. The Chairman of the Company is Mr Lim Keng Jin who is an Independent Director while Mr Foo Suan Sai is the Chief Executive Officer.

As Chairman of the Board, Mr Lim Keng Jin’s role includes:

- Scheduling of meetings that enable the Board to perform its duties while not interfering with the flow of the Company’s operations;
- Setting meeting agenda;
- Exercising control over quality, quantity and timeliness of the flow of information between management and the Board;
- Assisting in ensuring compliance with the Company’s guidelines on corporate governance; and
- Encouraging constructive relations between executive Directors and non-executive Directors and facilitating the effective contribution of non-executive Directors in particular.

The Chief Executive Officer, Mr Foo Suan Sai manages the business of the Company, sets business strategies and direction for the Group and implements the Board’s decisions. Mr Foo Suan Sai also provides business updates to the Board and shares strategy and goals.

The Board had established in writing the division of responsibilities between the Chairman and the CEO.

The Chairman is independent with each Board Committee chaired and led by an Independent Director. There is a balance of power and authority in the Board. As there is separation in the roles of Chairman (who is an Independent Director) and CEO, to preserve effective corporate governance, the appointment of a Lead Independent Director is not necessary. Independent Directors met regularly without the presence of other Directors. Independent Directors are available to shareholders where they have concerns and for which contact through the normal channels of communication with the Management has failed to resolve or for issues where such contact is inappropriate or inadequate.

## Principle 4: Board Membership

Board membership is under the purview of NC which comprises Mr Wong Meng Yeng as Chairman, Mr Lim Keng Jin, Mr Foo Suan Sai, Mr Neo Mok Choon and Mr Foo Maw Shen are members of NC. A majority of the NC is independent, including the NC Chairman.

The NC has written terms of reference that describe its objectives, duties and responsibilities. The objective of the NC is to maintain an effective Board and to ensure that only competent individuals capable of contributing to the success of the Company are appointed. The NC’s main functions as defined in the written terms of reference are as follows:

- (a) make recommendations to the Board on all board appointments;
- (b) assess the effectiveness of the Board as a whole and the effectiveness and contribution of each Director to the Board;
- (c) determine annually whether or not a Director is independent;



# CORPORATE GOVERNANCE REPORT

- (d) recommend re-nomination and re-election of Directors; and
- (e) review training and professional development programs for the Board.

The Board has a process for the appointment of new director whereby the NC will evaluate the core competencies of the directors so as to determine suitable skills and expertise to strengthen or complement the Board, taking into consideration the need for progressive renewal of the Board. Where new appointments are required, the Board considers the candidate's track record, age, experience, and capabilities and meet with such candidates before a decision is made on the selection. The criteria for identifying candidates and reviewing nominations for appointments will include also gender and other forms of diversity. The Board will tap on the industry information and personal contacts of current directors and senior management for recommendation of suitable candidates. The Board was of the view that the skills and knowledge of each director contributes to the core competencies of the Board. The NC promotes transparency in the selection and appointment of new Board members as well as their subsequent re-nomination/re-election.

A director who wishes to retire or resign should provide sufficient notice to the Board so that a replacement may be appointed before he leaves. In the event of any vacancy, the Company shall endeavour to fill the vacancy within two months, but in any case not later than three months.

All directors have to submit themselves for re-nomination/re-election at regular intervals or at least once every three years in accordance with Regulation of 106 of the Company's Constitution. Mdm Han Juat Hoon, Mr Wong Meng Yeng, Mr Lim Keng Jin and Mr Neo Mok Choon are due for retirement as a director at the forthcoming Annual General Meeting ("AGM"). They have offered themselves for re-election as Directors of the Company. The NC had recommended to the Board that Mdm Han Juat Hoon, Mr Wong Meng Yeng, Mr Lim Keng Jin and Mr Neo Mok Choon be nominated for re-election in accordance with Regulation 106 of the Company's Constitution at the AGM. In reviewing the re-election of directors, the NC has considered criteria such as the Director's contribution and performance, attendance, preparedness, participation, candour and suitability, and if applicable, assessment of the Director's independence. The NC is satisfied that the Director under review has been adequately carrying out his duties as a Director of the Company.

The Board has not determined the maximum number of listed company board representations which any director may hold. The Board reviewed and agreed that directors with multiple listed company board representation and other principal commitments were able to and have been adequately carrying out their duties as a Director of the Company. Although the non-executive Directors hold directorships in other companies which are not in the Group, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors will widen the experience of the Board and give it a broader perspective.

The NC has reviewed (with each NC member who is an Independent Director recused himself from determining his own independence) and determined that Mr Wong Meng Yeng, Mr Lim Keng Jin, Mr Neo Mok Choon and Mr Foo Maw Shen are independent as at the date of this Annual Report having regard to the circumstances set forth in Provision 2.1 of the 2018 Code. The Independent Directors do not have any relationship with the Company, related corporations, its substantial shareholders or officers. The Independent Directors are not employees of any company within the Group. Their experience in finance, business, law and engineering enables them to exercise objective judgement on corporate affairs independently.

# CORPORATE GOVERNANCE REPORT

The Board succession planning begins with the appointment of new directors to the Board. The Board recognised the importance of identifying potential candidate within the Company for succession planning for the CEO. The NC reviews succession plan annually to ensure continuity of leadership.

The Company has no alternate director.

Key information regarding the Directors of the Company are disclosed as follows:

Name of Directors	Date of first appointment	Date of last re-election	Nature of Appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding five years in other listed company
Foo Suan Sai	30 September 1988	26 June 2020	Chief Executive Officer	Member of Nominating Committee	None
Han Juat Hoon	16 May 1987	26 April 2018	Chief Operating Officer	None	None
Foo Fang Yong	28 May 2015	29 April 2019	Executive Director	None	None
Wong Meng Yeng	5 January 2000	26 April 2018	Independent Director	Chairman of Nominating Committee, Member of Audit and Risk Management Committee and Remuneration Committee	KS Energy Limited (Retired on 27 April 2017) Keong Hong Holdings Limited (retired on 21 January 2020) Baker Technology Limited
Lim Keng Jin	29 April 2005	29 April 2019	Independent Director and Chairman	Chairman of Remuneration Committee, Member of Audit and Risk Management Committee and Nominating Committee	G. K. Goh Holdings Limited (Retired on 25 April 2016)
Neo Mok Choon	1 August 2012	26 June 2020	Independent Director	Chairman of Audit and Risk Management Committee, Member of Nominating Committee and Remuneration Committee	None
Foo Maw Shen	31 July 2014	26 June 2020	Independent Director	Member of the Audit and Risk Management Committee, Nominating Committee and Remuneration Committee	Sakae Holdings Ltd. (Resigned on 16 October 2019)

# CORPORATE GOVERNANCE REPORT

Details of other principal commitments of the Directors have been set out in the Directors' Profile of this Annual Report.

Summary of activities of the NC is set out below:

- Reviewed structure, size and composition of the Board and Board Committees
- Reviewed independence and time commitment of Directors.
- Reviewed training for directors.
- Evaluated the Board, Board Committee, Chairman and individual Directors performance.
- Reviewed results of performance evaluation and feedback to the Chairman and Board Committees.
- Reviewed succession planning for Chairman, CEO and key management personnel.

## **Principle 5: Board Performance**

The Board's performance is ultimately reflected in the performance of the Group. The Board shall, at all times, act honestly and use reasonable diligence and care in the discharge of the duties of their office. They have to carry their duties in the best interests of the Company and its shareholders. Board members must attend at least 75% of all Board Meetings.

The NC has established an appraisal process to annually assess the performance and effectiveness of the Board as a whole and its Board Committees and for assessing the contribution of the Chairman and contribution by each individual Director to the effectiveness of the Board. Each Director is required to complete a questionnaire so that the Board considers the performance and effectiveness in its entirety. It focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, and the Board's performance in relation to discharging its principal responsibilities. The assessment of Board Committees reviews the effectiveness of each Board Committee to address matters delegated in the Terms of Reference and guidelines of the 2018 Code. Directors assessed the contribution by the Chairman in terms of leadership and communication to stakeholders. Assessment on the contribution by each individual director allow directors to assess how well directors perceive themselves and each other to be contributing positively to the work of the Board in terms of leadership, communication skills and effectiveness of risk management. The findings of such evaluations were analysed and discussed with a view to enhance the effectiveness of the Board. The Board was updated on the analysis of such evaluations. The Board concurred and supported the suggestions of the NC to bring about Board effectiveness especially in terms of strategic issues. No external facilitator was used to conduct the evaluation of Board performance.

Performance of Board members is also evaluated informally on a continual basis by the NC according to their contribution during meetings and also their input to the Company on matters related to corporate governance, legal or accounting matters, based on their individual expertise.

The NC is of the opinion that the above performance evaluation criteria are currently adequate. Each director continues to contribute effectively and demonstrate commitment to the appointed role.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION MATTERS

### Principle 6: Procedures for developing remuneration policies

The RC comprises four members, who are all Independent Directors. The RC is chaired by Mr Lim Keng Jin, an Independent Director. Mr Wong Meng Yeng, Mr Neo Mok Choon and Mr Foo Maw Shen are members of the RC. The RC meets at least once a year. The RC has a written terms of reference that describe its objectives, duties and responsibilities. The objectives of the RC are to facilitate appropriate transparency and accountability to shareholders and make recommendations to the Board on remuneration matters of the Director, CEO and key management personnel.

The RC's main responsibilities as written in the terms of reference include recommending to the Board on:-

- (a) a framework of remuneration for the Board and the key management personnel of the Group covering all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share options, benefits-in-kind;
- (b) specific remuneration packages for each Director and key management personnel;
- (c) reviewing the remuneration packages with the aim of building capable and committed management teams through competitive compensation and focused management and progressive policies and considering long-term incentives.

The RC reviews the performance of the Chief Executive Officer, Chief Operating Officer and key management personnel, as well as reviewing and approving executive remuneration including but not limited to Directors' fees, salaries, allowances, bonuses and benefits based on benchmarking exercises with industry peers. The recommendations from the RC will be submitted for endorsement by the entire Board. No RC member or any Director is involved in deliberation in respect of any remuneration, compensation or any form of benefits to be granted to him/her.

The Company did not seek expert advice inside and/or outside the Company on remuneration of all Directors.

### Principle 7: Level and Mix of Remuneration

The executive Directors, Mr Foo Suan Sai and Mdm Han Juat Hoon, are also the substantial shareholders of the Company. Their interests are therefore in line with the Company's interest. Remuneration of Mr Foo Suan Sai and Mdm Han Juat Hoon is in accordance with their service contracts. There is a linkage between remuneration paid to executive Directors and performance of the Company based on a profit sharing scheme. The profit sharing scheme is approved by the Board with the concurrence of the Remuneration Committee on an annual basis.

Remuneration packages of key management personnel are proposed by the CEO and are linked to the performance of the individual and the Group based on benchmarking exercises with industry peers to ensure competitiveness.

# CORPORATE GOVERNANCE REPORT

Remuneration packages of the executive Directors and key management personnel are structured to focus on achieving sustainable performance and create value in the short, medium, and long term taking into account strategic objectives and business model of the Group. With sustainable creation of value for the Company's key stakeholders, comprising communities, customers, employees, regulators, shareholders and vendors, these performance-related remuneration ensure the Company remains focused on the path to achieving long-term success. For example, the Board's implementation of strategy towards customer satisfaction through the offer of extensive and comprehensive product range (developed by employees under the guidance of key management personnel) that meet the market's needs benefit our customers and vendors. With performance-related remuneration of executive directors and key management personnel structured to link rewards to corporate and individual performance, the long-term success of the Company becomes sustainable.

Remuneration of non-executive Directors takes into account the effort and time spent, including the responsibilities of each Director. Non-executive Directors are paid Directors' fees, which are subject to approval of the Shareholders at the AGM.

The Board comprises majority Independent Directors some of whom hold shares in the Company and their interests are aligned with the interests of shareholders.

The Company currently does not have any share option scheme or any long term scheme in place as the Company believes "pay holds employees accountable" for improving shareholder value and drive productivity profit. The Company currently does not have any contractual provisions to allow the Company to reclaim incentive from executive Directors and key management personnel in exceptional cases of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

## Principle 8: Disclosure on Remuneration

Remuneration is fixed in accordance with the experience of the person in question, the role performed, market comparison, the contribution of the individual and/or the performance of the Company and the Group.

The number of Directors whose remuneration falls within the following bands:

Remuneration Bands (in Singapore Dollars)	2020	2019
\$2.25M to below \$2.5M	1	-
\$1.5M to below \$1.75M	1	1
\$1.0M to below \$1.25M	1	1
\$500,000 to below \$750,000	-	1
Below \$250,000	4	4
<b>Total</b>	<b>7</b>	<b>7</b>

# CORPORATE GOVERNANCE REPORT

The annual remuneration bands (in Singapore Dollars) of the Executive Directors and the key management personnel as at 31 December 2020 are set out below:

FY2020	Base Salary%	Variable Bonus%	Profit Sharing %	Benefits %	Fees %	Total %
<b>Directors</b>						
\$2.25M to below \$2.5M						
Foo Suan Sai	33	-	65	2	-	100
\$1.5M to below \$1.75M						
Han Juat Hoon	30	-	67	3	-	100
\$1.0M to below \$1.25M						
Foo Fang Yong	40	-	58	2	-	100
<b>Key management personnel</b>						
\$500,000 to below \$750,000						
Lim Kok Soon Rayson	54	46	-	-	-	100
\$250,000 to below \$500,000						
Goh Tian Keong Winston	40	-	43	17	-	100
Pui Boon Tiong Eugene	56	41	-	3	-	100
Koh Henry	59	20	-	21	-	100

The annual remuneration of Independent Directors as at 31 December 2020 are set out below:

FY2020	Base Salary \$	Variable Bonus \$	Profit Sharing \$	Benefits \$	Fees \$	Total \$
Wong Meng Yeng	-	-	-	-	49,500.00	49,500.00
Lim Keng Jin	-	-	-	-	66,000.00	66,000.00
Neo Mok Choon	-	-	-	-	57,750.00	57,750.00
Foo Maw Shen	-	-	-	-	46,062.50	46,062.50

For reasons of competition, the Company is not disclosing each Executive Director's remuneration. Instead, the Company is disclosing the remuneration of each Executive Director in bands of \$250,000. The Group remunerates its key management personnel competitively. To secure the very best talented personnel especially in the competitive IT distribution and IT training business and due to the competitiveness for such talent, the Company is not disclosing the aggregate remuneration paid to the key management personnel of the Group in this report. The Board is of the view that specific remuneration disclosure of each Executive Director and aggregate remuneration of key management personnel is not in the best interest of the Company, considering the highly competitive IT industry and may adversely affect the Company's talent retention efforts, given the sensitive nature in the IT industry for key talent. Talent and workforce matters have become even more important in the current pandemic as the Board thinks strategically about talent.

Remuneration of Mr Foo Suan Sai and Mdm Han Juat Hoon are in accordance with their respective service contracts with the Company. Remuneration of Mr Foo Fang Yong is in accordance with his employment contract with the Company's subsidiary, M. Tech Holdings Pte. Ltd.. For the key management personnel, the remuneration is based on their respective employment contract with the Company and fixed based on the above factors as well as negotiation between the parties concerned.

# CORPORATE GOVERNANCE REPORT

There are two employees who are immediate family members of a Director or the Chief Executive Officer. However, their remuneration does not exceed \$100,000 during FY2020.

The Company does not have any employee share scheme.

Summary of activities of RC in 2020 is as follow:

- Reviewed remuneration packages of key management personnel and employees related to substantial shareholder which includes salary adjustments and bonus.
- Reviewed remuneration package of the Executive Directors which includes salary and profit sharing bonus.
- Reviewed and recommended Directors' fees for approval of shareholders at the AGM.

## ACCOUNTABILITY AND AUDIT

### Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk while at the same time achieving strategic objectives and value creation.

The Board approves the key risk management policies and ensures a sound system of risk management and internal controls (including financial, operational, compliance and information technology controls) and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instils the right risk focused culture throughout the Group for effective risk governance.

The Board has approved a Group Risk Management Framework ("ERM Framework") for the identification of key risks within the business which is aligned with the ISO 31000:2018 Risk Management framework. To enhance the effectiveness of the ERM framework, the Group implemented Orion ERM system, a third party software that automates the risk management, internal control and assurance functions and enables these functions to be managed on an integrated platform.

The ARMC oversees risk governance which includes the following roles and responsibilities:

- proposes the risk governance approach and risk policies for the Group to the Board;
- reviews the risk management methodology adopted by the Group;
- reviews the strategic, financial, operational, regulatory, compliance, information technology and other emerging risks relevant to the Group identified by management; and
- reviews management's assessment of risks and management's action plans to mitigate such risks.

Under the ERM Framework:

- (a) Risks identified are aligned with the objectives of the Group;
- (b) A risk reporting structure is defined to identify the risk owners, approvers, champions and their respective risk responsibilities;

# CORPORATE GOVERNANCE REPORT

- (c) A risk reporting process is established which includes the identification, analysis and evaluation of risks, implementation of risk treatment plans and continuous monitoring of risks; and
- (d) Risks are evaluated on a common measurement matrix based on the likelihood and consequence of each risk identified. The risks are first identified on a gross level and subsequently on a residual level considering the risk treatment measures in place. The residual risk level determines the extent or risk exposure and further risk treatment measures required.

Each risk identified is assigned with a risk level to determine the actions required as illustrated in the table below:

Exposure Level	Risk Level	Acceptable Level/ Action Requirements
I	Extreme Risk	Not acceptable: <ul style="list-style-type: none"> <li>• Immediate action required.</li> <li>• Must be managed by senior management with a detailed treatment plan.</li> </ul>
II	High Risk	Generally not acceptable: <ul style="list-style-type: none"> <li>• Senior management attention needed and management responsibility specified.</li> <li>• Treatment plans to be developed.</li> <li>• Must be monitored on regular frequency.</li> </ul>
III	Medium Risk	Acceptable: <ul style="list-style-type: none"> <li>• Management responsibility must be specified.</li> <li>• Treatment plans to be developed.</li> <li>• On-going monitoring and review.</li> </ul>
IV	Low Risk	Acceptable: <ul style="list-style-type: none"> <li>• Manage by routine processes / procedures.</li> <li>• Consider the implementation of additional controls, only if they are a clearly quantifiable cost benefit.</li> <li>• On-going monitoring and review.</li> </ul>
V	Negligible Risk	Acceptable: <ul style="list-style-type: none"> <li>• Manage by routine processes / procedures;</li> <li>• Unlikely to require specific application of resources.</li> </ul>

An ERM exercise was performed in FY2020 involving 15 middle and senior managers of the Group, including the C-Suite executives. Arising from the ERM exercise, a total of 48 risks were identified under the four main risk categories of Strategic, Operational, Financial and Compliance risks.



# CORPORATE GOVERNANCE REPORT

The overall results of the ERM exercise for FY2020 by risk level are shown as follows:



Key risks identified, arising from the ERM exercise, are as follows:

S/N	Risk title and description	Risk level		Risk treatment
		Gross	Residual	
1	<p><u>Adverse change in economic conditions</u> Deterioration in general economic conditions arising from external events such as a pandemic outbreak or political event will result in a significant drop in end customers' budgets for IT system. This will translate into fewer projects for the resellers and in turn adversely impact the financial performance of the Group.</p>	High	High	<p>The Group seeks to minimise adverse effects from deterioration in economic conditions due to external events such as the pandemic outbreak.</p> <p>Key mitigating controls in place include maintaining a competent and experienced team, putting in place an effective IT system and close monitoring of financial performance.</p>
2	<p><u>Dependency on key distributor rights</u> The Group is principally involved in the distribution of IT security products for vendors. Distribution rights may be lost due to: (i) change in ownership structure of vendors, resulting in termination of business relationships; (ii) inability to meet sales targets set by the vendors; (iii) non or late payment of balances due to vendors for purchases; (iv) non-compliance with the terms of distributorship agreements with the vendors; and (v) changes in strategic direction of vendors.</p>	Extreme	Medium	<p>The Group focuses on building sustainable relationships with its key vendors to retain distribution rights.</p> <p>Key mitigating controls in place include maintaining a competent and experienced team, implementing adequate, effective policy and procedures, putting in place an effective IT system, regular business review with vendor and regular review of financial performance.</p>

# CORPORATE GOVERNANCE REPORT

S/N	Risk title and description	Risk level		Risk treatment
		Gross	Residual	
3	<p><u>Dependency on key managers and staff</u> The Group's operations are dependent on the management and support staff. If the Group is unable to retain, attract and hire competent and experienced staff, the ability to run the operations may be adversely affected.</p>	<b>Extreme</b>	<b>Medium</b>	<p>The Group focuses on building and maintaining a conducive, fulfilling and rewarding work environment to address the risk of staff turnover.</p> <p>Key mitigating controls in place include maintaining a competent and experienced team, implementing adequate, effective policy and procedures and maintaining formal performance tracking, evaluation and feedback controls.</p>
4	<p><u>Foreign exchange losses</u> The Group operates in multiple countries in which some are developing countries with volatile currencies. Given that sales are typically transacted in local currencies and should there be a sudden currency devaluation, the Group may suffer significant exchange loss that will adversely affect its financial performance.</p>	<b>Extreme</b>	<b>Medium</b>	<p>The Group seeks to minimise adverse effects from the volatility of foreign exchange rates through adequate and effective tracking and planning.</p> <p>Key mitigating controls in place include maintaining a competent and experienced team, implementing adequate, effective policy and procedures, maintaining an effective enterprise resource planning ("ERP") system, close monitoring of foreign exchange positions.</p>
5	<p><u>Inability of customers to meet their obligations</u> Customers comprise mainly resellers that are mostly system integrators installing IT systems for end users such as financial institutions or governmental bodies. Non-payment of overdue balances will affect the Group's financial performance and cash flows.</p>	<b>High</b>	<b>Medium</b>	<p>The Group follows up closely with its customers to minimise the adverse effects on financial performance and cash flows from non-collectable customer balances.</p> <p>Key mitigating controls in place include maintaining a competent and experienced team, implementing adequate, effective policy and procedures, establishing credit limit, putting in place an effective ERP system and regular review of financial performance.</p>

# CORPORATE GOVERNANCE REPORT

S/N	Risk title and description	Risk level		Risk treatment
		Gross	Residual	
6	<p><u>Fraud and irregularities</u></p> <p>The Group is exposed to the risk of fraud, bribery and irregularities, such as: (i) misstatements in the financial statements; (ii) misappropriation of assets, such as cash and inventory; and (iii) acceptance of bribes by employees in return for favor in purchases/award of contracts.</p>	High	Low	<p>The Group is committed to maintain high standards of corporate governance.</p> <p>Key mitigating controls in place include maintaining a competent and experienced team, implementing adequate, effective policy and procedures, putting in place an effective IT system and whistle-blowing mechanism.</p>
7	<p><u>IT system failure leading to business disruptions</u></p> <p>The Group is reliant on various systems to support its operations. System failures due to accidents such as fire, power failure, virus attacks or unauthorised intrusions may result in loss of key operating data and operational disruptions.</p>	High	Low	<p>The Group is focused on building and maintaining a robust and secured information technology infrastructure.</p> <p>Key mitigating controls in place include maintaining a competent and experienced team to support business operations, ensuring adequate backup and IT security arrangements.</p>
8	<p><u>Non-compliance with laws and regulations</u></p> <p>Disputes may arise between the Group and counter parties in which contractual relationships have been established due to reasons such as disagreements over scope of responsibilities and specification of products/services. In the event that the disputes cannot be resolved satisfactorily, the Group may be the subject of legal or arbitration proceedings and will need to defend such actions. This may have an adverse impact on the reputation and financial performance of the Group.</p>	Medium	Low	<p>The Group focuses on ensuring compliance with contracts to avoid disputes with counterparties.</p> <p>Key mitigating controls in place include maintaining a competent and experienced team, implementing adequate, effective policy and procedures, including clauses in contracts to limit risk exposure and implementing a centralised filing system for contracts.</p>

The above section discusses the key risks that have emerged and which may have a significant impact on the Group's financial and operating performance. It is not intended to provide a complete discussion of all risks that may impact the Group. Other risks which the Group is unaware of or which are not currently deemed to be significant may be material in the future and have a considerable adverse effect on the Group's financial and operating performance. The

# CORPORATE GOVERNANCE REPORT

risk treatments mentioned above represent our best endeavours but do not provide absolute assurance that the Company will not be adversely affected by any risk event that can be reasonably foreseen as it strives to achieve its business objectives.

Management presented its annual report to the ARMC and the Board on the Group's risk profile, status of risk mitigation action plans and results of various assurance activities carried out during FY2020 on the adequacy of the Group's risk management and internal controls including financial, operational, compliance and information technology controls. Such assurance activities include control self-assessments performed by Management, internal and external audits performed by internal and external auditors. For FY2020, control self-assessment was performed using the Orion ERM system.

Based on the Risk Management Framework and internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the management, various Board Committees and the Board, the ARMC and the Board are satisfied that the Group's risk management and internal control systems (including financial, operational, compliance and information technology controls) were adequate and effective for the financial year ended 31 December 2020 to address financial, operational, compliance and information technology risks.

The Board notes that system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls (including financial, operational, compliance and information technology controls) and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The Board had identified the Chief Financial Officer ("CFO") as the key management personnel responsible for the Company's risk management and internal control systems. The Board had obtained a written confirmation from the Chief Executive Officer ("CEO") and CFO:

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) regarding the adequacy and effectiveness of the Group's risk management and internal control systems (including financial, operational, compliance and information technology controls). The CEO and CFO have obtained assurance from the respective risk and control owners.

## **Principle 10: Audit and Risk Management Committee**

The ARMC takes on the corporate governance and oversight responsibilities in respect to risk management of the Group and each subsidiary.

The ARMC comprises four members, all are Independent Directors. The ARMC is chaired by Mr Neo Mok Choon. The other ARMC members are Mr Lim Keng Jin, Mr Wong Meng Yeng and Mr Foo Maw Shen. The ARMC members have accounting or related financial management expertise and experience. The NC is of the view that the members of the ARMC have the necessary expertise and experience to discharge its functions. None of the ARMC members nor the ARMC Chairman are former partners or Directors of the Company's existing auditing firm or auditing corporation.

# CORPORATE GOVERNANCE REPORT

The objectives of the ARMC are to safeguard the Company's assets, maintain adequate accounting records and develop and maintain effective systems of internal control and risk management.

The written terms of reference defining its scope of authority and duties of the ARMC have been updated to better reflect the risk management and internal control role of the ARMC which include:

- To review the scope and results of the audit, whether it is cost effective and the independence and objectivity of the external auditors on an annual basis;
- To review risk governance and advise on the overall risk tolerance and strategy;
- To make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- To review with the external auditors on their audit report, management letter and management's response;
- To review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcement relating to the Company's financial performance;
- To review the half-yearly and annual financial statements before submission to the Board;
- To review the assistance given by the management to the auditors;
- To make recommendations to the Board for the appointment, re-appointment and removal of internal auditors, and approve the terms of engagement and remuneration;
- To approve the hiring, removal, evaluation and compensation of the accounting/ auditing/ professional service firm to which the internal audit function is outsourced;
- To review with the internal auditors the scope of the internal audit and results of the internal audit report and management's response;
- To review the adequacy of the Company's internal controls and procedures for internal control and risk management and arrangements for all future related party transactions;
- To review interested party transactions periodically;
- To review the policy and arrangement by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters; and
- To oversee risk governance (refer to detailed disclosure under principle 11).

The ARMC has full access to Management and the full discretion to invite any Director or executive officer to attend meetings, and reasonable resources to enable it to discharge its function properly.

During the review of all audit and non-audit services provided by the external auditors, Messrs BDO LLP during the year, the ARMC was satisfied that the non-audit services provided by Messrs BDO LLP would not affect the objectivity and independence of the external auditor. The amount of fees paid to external auditors for audit and non-audit services for the financial year ended 31 December 2020 are set out on page 165 of the Annual Report. During the year, the ARMC also reviewed the scope and quality of the audits and independence and objectivity of the external auditors. The ARMC is satisfied that the external auditor, Messrs BDO LLP is able to meet the audit requirements and statutory obligation of the Company. The ARMC shall continue to review the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. The ARMC is satisfied with the independence of the external

# CORPORATE GOVERNANCE REPORT

auditors. The ARMC has recommended to the Board the re-appointment of Messrs BDO LLP as the Company's external auditors at the forthcoming AGM.

The Board and the ARMC are satisfied that the appointment of different auditors for its overseas incorporated subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The Company is therefore in compliance with Rule 712 and Rule 715 of the Listing Manual of SGX-ST.

The ARMC meets at least two times a year. The ARMC meetings are attended by external auditors and where required, internal auditors and appropriate members of the executive management are invited to attend its meetings. In FY2020, the ARMC carried out the activities as set out above. The ARMC meets the external auditors and internal auditors without the presence of Management at least once annually. The ARMC received updates on changes in accounting standards and corporate governance from the external and internal auditors periodically. The ARMC is kept abreast of changes to accounting standards and issues which have a direct impact on financial statements by the external auditors.

The Company has put in place a whistle-blowing framework, endorsed by the ARMC, where employees of the Company may, in confidence, raise their concerns over any wrongdoing within the Company relating to unlawful conduct, financial malpractice or dangers to the public or the environment. Details of the whistle-blowing policies and arrangements have been made available to all employees.

Other information pertaining to the ARMC is disclosed on page 88 of the Annual Report.

The ARMC has received the Audit Quality Indicators Disclosure Framework relating to FY2020 from the external auditor. The external auditor has reported to the ARMC on the Key Audit Matters ("KAM") in respect of FY2020 following completion of the audit of the Company's financial statements. The ARMC agreed with the rationale and determination of revenue from distribution of Information Technology ("IT") products and recoverability and expected credit loss ("ECL") of trade receivables from third parties as KAM by the external auditors. The ARMC has considered the approach and methodology used by the external auditor and Management. The ARMC has reviewed the reasonableness and approach of the Management's assessment of the respective KAM and agreed with the opinion of the external auditors.

The Group outsources its internal audit function to Messrs Yang Lee & Associates ("YLA or "IA"). YLA is a professional service firm that specialises in the provision of Internal Audit, Enterprise Risk Management and Sustainability Reporting advisory services. The firm was set up in the year 2005 and currently maintains a diverse outsourced internal audit portfolio of SGX-ST listed companies across different industries including distribution, manufacturing, services, food & beverage, trading, retail and property development industries. YLA is a corporate member of the Institute of Internal Auditors Singapore and is staffed with professionals with relevant qualifications such as the Certified Internal Auditor qualification with the Institute of Internal Auditors. The IA engagement team comprises two Directors, a Manager and supported by two Associates. Each of the two Directors has more than 20 years of relevant experience whilst the Manager has approximately 10 years of relevant experience.

The Group's engagement with YLA stipulates that its work shall be guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

# CORPORATE GOVERNANCE REPORT

The ARMC has reviewed and confirmed that YLA is a suitable professional service firm to meet the Company's internal audit obligations, having regard to the adequacy of resources and experience of the firm and the assigned engagement director, number and experience of supervisory and professional staff assigned to internal audit. IA reports directly to the Chairman of the ARMC. The ARMC approves the appointment, evaluation and fees of the internal audit firm. IA have unfettered access to all the Company's documents, records, properties and personnel, including access to the ARMC.

The ARMC reviews and approves the internal audit scope and plan to ensure that there is sufficient coverage of the Group's activities. It also oversees the implementation of the internal audit plan and ensures that Management provides the necessary co-operation to enable the IA to perform its function.

The IA is guided by the International Standards for the Professional Practice of Internal Auditing ("IIA Standards") issued by the Institute of Internal Auditors.

The IA completed two reviews during the financial year ended 31 December 2020 in accordance with the internal audit plan approved by the ARMC. The Board has adopted the recommendations of the internal auditors set out in the internal audit report.

The ARMC is satisfied that the internal audit function is independent, effective and adequately resourced (being outsourced to a reputable professional service firm). Hence, it has an appropriate standing within the Company.

Summary of activities of the ARMC in 2020:

- Reviewed risk assessments and technology risks including new projects;
- Reviewed internal controls addressing financial, operational, compliance and information technology;
- Discussed key risks;
- Monitored risk profile and keep abreast of changes in the external and internal environment;
- Reviewed and assessed the adequacy and effectiveness of risk management and internal control systems (including financial, operational, compliance and information technology);
- Reviewed and approved risk management framework;
- Reviewed and assessed the risk management capabilities and resources of the Company;
- Reviewed the assurance provided by the CEO and key management personnel responsible regarding the adequacy and effectiveness of evaluation the adequacy and effectiveness of risk management and internal control systems (including financial, operational, compliance and information technology);
- Reviewed legal and regulatory matters that may have material impact on the Company;
- Conducted special investigations relating to risk assessment and technology risks and internal control systems;
- Reviewed half-yearly and annual financial statements and recommend to the Board;
- Reviewed financial and operating performance of the Group;
- Reviewed budget and forecasts as presented by Management;
- Reviewed interested person and related party transactions, where available;

# CORPORATE GOVERNANCE REPORT

- Reviewed the audit report from the external auditor, including areas of audit emphasis and key audit matters, findings and progress of Management's actions as well as update on new accounting standards with status of Management's implementations;
- Evaluated and recommended the re-appointment of the external auditors including Audit Quality Indicators, review of fees, provision of non-audit, objectivity and independence and review of audit plan;
- Reviewed internal audit plan (including progress, implementation of management actions, changes to the plan and auditable entity) and follow-up on internal audits which include IT audit;
- Reviewed the adequacy and effectiveness of the internal controls (including financial, operations, compliance and information technology) and risk management systems;
- Reviewed the adequacy and effectiveness, independence and scope of the internal audit function including audit resources and its appropriate standing within the Group;
- Reviewed investigations within the Group and ensuring appropriate follow-up actions, where required; and
- Meeting with the external auditor and internal auditor without presence of Management.

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### 7B Principle 11: Shareholder Rights and Conduct of General Meetings

The Board is accountable to the shareholders and is mindful of its obligation to provide a balanced and understandable disclosure of material information to shareholders, investors and public. This allows shareholders to assess its performance, position and prospects.

The Board treats all shareholders fairly and equitably and seeks to protect and facilitate exercise of shareholders' rights. The Board allows all shareholders to exercise their voting rights by participation and voting at general meetings. Shareholders will be informed about the voting procedures that govern general meetings of shareholders.

The Company ensures that there are separate resolutions at general meetings on each distinct issue. Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

All Directors including the chairpersons of the ARMC, NC and RC will be present and available to address questions. The external auditors will be present to assist the Directors in addressing any relevant queries by shareholders and address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.

Shareholders have the opportunity to participate in and vote at general meeting of shareholders. All resolutions are voted by poll in the presence of independent scrutineers and the detailed results are released to the public via SGXNET after the meeting. As the present Constitution of the Company does not have a provision to allow shareholders to vote in absentia, via methods such as e-mail, fax, etc., and the legal and regulatory environment is not entirely conducive for voting in absentia, the Company does not allow a shareholder to vote in absentia at general



# CORPORATE GOVERNANCE REPORT

meetings. The introduction of absentia voting methods will be deferred until an appropriate time. The Board will review its Constitution from time to time. Where amendment of its Constitution is required to align the relevant provisions with the requirements of the Listing Manual of the SGX-ST, shareholders' approval will be obtained.

The AGM held on 26 June 2020 was conducted pursuant to COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Due to COVID-19 restriction orders, there was no physical attendance at the AGM which was conducted by electronic means. Shareholders watched the AGM proceeding through live webcast or live audio stream by pre-registration. Shareholders could not vote at the AGM held by electronic means and have appointed Chairman as proxy to vote on their behalf. As shareholders could not ask question at the AGM conducted by electronic means, shareholders were given the opportunity to submit questions in advance prior to the AGM. The Company had on 19 June 2020 replied to the relevant and substantial questions submitted in advance by shareholders prior to the AGM. The said reply was released via SGXNET before the deadline on 23 June 2020 for voting by appointing the Chairman as proxy. In view of the ongoing COVID-19 pandemic, the Company continues to conduct AGM by electronic means at the forthcoming AGM.

Minutes of general meetings include substantial comments or queries from shareholders and responses from the Board and management relating to the agenda of the meeting. These minutes are made available to shareholders upon their request. The Company published minutes of AGM via SGXNET on 15 July 2020.

The Company does not have a policy on dividends. However, declaration of dividends will be published in the financial results and dividend announcements via SGXNET with the objective of maximising value with the balance of current dividend and future growth. The Company has paid an aggregate dividend tax exempt (1-tier) of 4.40 cents per ordinary share and special tax exempt (1-Tier) dividend of 2.20 cents per ordinary share for FY2019. Subject to approval of members at the forthcoming AGM, the Directors have recommended a final dividend tax exempt (1-tier) of 6.60 cents per ordinary share for FY2020.

## **Principle 12: Engagement with Shareholders**

The Company aims to engage in regular, effective and fair communication with shareholders, and be as descriptive, detailed and forthcoming as possible. The Annual Report and Notice of AGM is made available to all shareholders and published on SGXNET. The notice is also advertised in the press and made available on the website. At AGM, the Company encourages shareholder participation and shareholders are given the opportunity to air their views and ask Directors or management questions regarding the Company.

The electronic Annual Report and financial results are disclosed on an equal and timely basis through SGXNET within the mandatory period and the information is also available on the Company's website [www.multichem.com.sg](http://www.multichem.com.sg). Information on the Company's new initiatives or key developments are first disseminated via SGXNET and also made available on-line to shareholders in a timely and transparent manner with the same disclosure given publicly to all. Price sensitive information is announced through SGXNET. However, any information that may be regarded as undisclosable material information about the Group will not be given. Due to limited resources, the Company manages half-yearly financial results and press releases and the production of

# CORPORATE GOVERNANCE REPORT

annual reports (and other compliance reports) as their key roles and responsibilities; and it is in these activities that they are most engaged. Accordingly, the Company does not have an Investor Relations and there is no Investor Relations policy. Shareholders can send questions to the Company's website [www.multichem.com.sg](http://www.multichem.com.sg) and the Company responds to such questions.

## Principle 13: Engagement with Stakeholders

The Company engages its stakeholders through different channels to establish, address and monitor the material environmental, social and governance (ESG) factors of the Company's operation and its impact on the various stakeholders.

The Company engages stakeholders with the various channels that are already in place, to better understand its stakeholders' concerns, and address any issues that they may face. Engagement channels and frequencies are reviewed periodically to ensure that they are sufficient to deal with current identified stakeholders' ESG-related issues.

The Company is also committed to enhance and improve the current engagement initiatives, while staying abreast of new trends or developments that may affect the sustainability standing of the Company, and eventually devise corresponding measures to resolve the new ESG issues.

For more information on the Company's approach to stakeholder engagement and materiality assessment, please refer to the Company's Sustainability Report 2020 on pages 13 to 35 of this annual report.

## DEALINGS IN SECURITIES

The Group has set an internal guideline relating to dealing in the Company's securities by the Company and its officers. The Company and its officers should not deal in the Company's securities

- (a) when in possession of unpublished material price sensitive information;
- (b) on short term considerations; and
- (c) during the period commencing one month before the announcement of the Company's half year and full year results and ending on the date of the particular announcement.

The abovementioned share trading guideline are disseminated through periodic reminders during the course of the year to the Company and its officers (including Directors and employees with access to price sensitive information in relation to the Company's shares). In addition, the guidelines require officers to disclose in writing to the executive Directors on their dealings in the Company's securities.

## INTERESTED PERSON TRANSACTIONS

The Company monitors all its interested person transactions and ensures that all transactions with interested persons are reported in a timely manner for review by the ARMC.

There was no interested party transaction entered into with value more than \$100,000 during the financial year. The Company does not have a mandate on Interested Person Transactions.

# CORPORATE GOVERNANCE REPORT

## MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the Chief Executive Officer, any Director or controlling shareholder, either still subsisting at the end of FY2020.



# CORPORATE DIRECTORY

## Chief Executive Officer

Foo Suan Sai

## Chief Operating Officer

Han Juat Hoon

## Executive Director

Foo Fang Yong

## Finance, HR & Administration

Lim Kok Soon Rayson

Goh Pei Chen Sandra

Zhao Yu

## Purchasing & Logistics

Goh Kie Soon Geraldine

Siow Mee Lin

## Distribution Division

Goh Tian Keong Winston

Pui Boon Tiong Eugene

## OFFICES IN SINGAPORE

### • HEAD OFFICE

#### **MULTI-CHEM LIMITED**

18 Boon Lay Way,

#05-113 TradeHub 21

Singapore 609966

Main Line : (65) 6863 1318

Main Fax : (65) 6863 1618

### • **M.TECH HOLDINGS PTE. LTD.**

#### **M.TECH PRODUCTS PTE LTD**

#### **M.SAAS SOLUTIONS PTE. LTD.**

#### **SECUREONEASIA PTE. LTD.**

#### **SECUREONE INDIA HOLDING PTE. LTD.**

#### **M. TECH SOLUTIONS (INDIA) PVT LTD SINGAPORE BRANCH**

18 Boon Lay Way,

#06-111 TradeHub 21

Singapore 609966

Main Line : (65) 6516 0088

Main Fax : (65) 6779 6553

### • **E-SECURE ASIA PTE. LTD.**

18 Boon Lay Way,

#04-108 TradeHub 21

Singapore 609966

Main Line : (65) 6516 0088

Main Fax : (65) 6358 3274

## MANUFACTURING SERVICES

### BUSINESS IN CHINA

#### • **MULTI-CHEM PCB (KUNSHAN) CO., LTD.**

No. 255 Nan Zi Road Kunshan Free Trade Zone, Jiangsu Province, PRC 215300

## IT BUSINESS OVERSEAS

### MALAYSIA OFFICE:

#### • **M-SECURITY TECHNOLOGY SDN. BHD.**

13-1, Menara 1 MK, Kompleks

1 Mont Kiara, No. 1 Jalan Kiara,

Mont Kiara, Kuala Lumpur

50480 Malaysia

Main Line : (60-3) 2788 6868

Main Fax : (60-3) 2788 0080

#### • **E FORTIFY ASIA SDN. BHD.**

25-3A, Menara 1MK, Kompleks Mont Kiara,

No. 1, Jalan Kiara, Kuala Lumpur

50480 Malaysia

Main Line : (60-3) 2788 6868

Main Fax : (60-3) 2788 0080

### INDONESIA OFFICE:

#### • **PT. M.TECH PRODUCTS**

Ariobimo Central Building, 7th Floor

Jl. HR Rasuna Said X-2 Kav 5,

Jakarta 12950, Indonesia

Main Line : (62-21) 522 6210

Main Fax : (62-21) 522 6211

#### • **SURABAYA OFFICE**

Graha Virto, Ruko Galaxy Bumi Permai

Blok J1 No. 23A-25, Jalan Raya

Sukosemolo 92, Surabaya,

Jawa Timur 60119, Indonesia

Main Line : (62-31) 596 7623

Main Fax : (62-31) 596 7586

### AUSTRALIA OFFICE:

#### • **M.TECH PRODUCTS AUST PTY LIMITED**

Suite 309/50 Holt Street

Surry Hills, New South Wales 2010, Australia

Main Line : (61) 2 8987 0400

Main Fax : (61) 2 8987 0401

#### • **MELBOURNE OFFICE**

Suite 923, 401 Docklands Drive

Docklands, Victoria 3008, Australia

Main Line : (61) 3 8615 9300

# CORPORATE DIRECTORY

## VIETNAM OFFICE:

- **M-SECURITY TECHNOLOGY VIETNAM COMPANY LIMITED**  
**M-SECURITY TECHNOLOGY INDOCHINA PTE. LTD.**  
**HANOI REPRESENTATIVE OFFICE**  
14th Floor, Ladeco Building, 266 Doi Can Street, Lieu Giai Ward, Ba Dinh District, Hanoi, Vietnam  
Main Line : (84-24) 3935 0970  
Main Fax : (84-24) 3935 0971
- **HO CHI MINH CITY REPRESENTATIVE OFFICE**  
Unit 4B, 4th Floor, AS Building, 236 - 238 Nguyen Cong Tru Street, Nguyen Thai Binh Ward, District 1, Ho Chi Minh City, Vietnam  
Main Line : (84-28) 6290 5418  
Main Fax : (84-28) 6290 5420

## THAILAND OFFICE:

- **M-SOLUTIONS TECHNOLOGY (THAILAND) CO., LTD**  
**E-SECURE ASIA CO., LTD.**  
25 Bangkok Insurance Building, 21st Floor, South Sathorn Road, Thungmahamek, Sathorn Bangkok 10120  
Main Line : (662) 059 6500  
Main Fax : (662) 677 4166

## PHILIPPINES OFFICE:

- **M.TECH PRODUCTS PHILS., INC**  
Level 26-A Rufino Pacific Tower  
6784 Ayala Avenue Corner V.A. Rufino Street, 1226, Makati City, Philippines  
Main Line : (632) 7224 2000  
Main Fax : (632) 7224 2001
- **M-SECURITY TECH PHILIPPINES INC.**  
Unit 2904, 88 Corporate Center, Valero Corner Sedenos Streets, Salcedo Village, Makati City, 1227 Philippines  
Main Line : (632) 7729 8837/39/41/42  
Main Fax : (632) 7729 8837

## TAIWAN OFFICE:

- **M.TECH PRODUCTS TW PTE. LTD.**  
**TAIWAN BRANCH**  
11F., No. 102, Sec. 4, Civic Blvd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)  
Main Line : (886) 2 2659 9128  
Main Fax : (886) 2 2659 9127

## CHINA OFFICE:

- **M.TECH (SHANGHAI) CO.,LTD**  
Room 902, Honi International Plaza, No 199 North Chengdu Road, Jing'an District, Shanghai PRC 200041  
Main Line : (86-21) 6217 1508  
Main Fax : (86-21) 6217 1221
- **BEIJING BRANCH**  
Room 907/A, Tianchuang Technology Tower, Horizon International Tower, No. 08 Caihefang Road, Haidian District Beijing, PRC 100080  
Main Line : (86-10) 8280 0190/ 91/ 92/ 93  
Main Fax : (86-10) 8280 0180
- **GUANGZHOU BRANCH**  
Room 2507, Haihang Building, No. 8 Linhe Zhong Road, Tianhe District, Guangzhou, PRC 510610  
Main Line : (86-20) 8550 1455  
Main Fax : (86-20) 8550 1461
- **SHENZHEN OFFICE**  
Room 1208, Tian An International Building, Renmin Road South, Luohu District, Shenzhen, PRC 518001  
Main Line : (86-755) 2151 7458  
Main Fax : (86-755) 8370 7800

## HONG KONG OFFICE:

- **M.TECH PRODUCTS (HK) PTE LIMITED**  
Room 01, 21/F, Paul Y. Centre  
51 Hung To Rd, Kwun Tong, Hong Kong  
Main Line : (852) 2369 2678  
Main Fax : (852) 2369 2993

# CORPORATE DIRECTORY

## INDIA OFFICE

### • **M. TECH SOLUTIONS (INDIA) PVT LTD**

# 201, Indraprastha Equinox (2nd Floor),  
Plot No. 23, 100 Feet Inner Ring Road,  
Koramangala, Bengaluru,  
Karnataka 560095  
Main Line : (91-80) 4302 2146  
Main Fax : (91-80) 4302 2146

### • **CHENNAI OFFICE**

New No. 63, Old No. 38,  
Second Floor, Raj Towers  
First Avenue, Ashok Nagar,  
Chennai 600083  
Main Line : (91-44) 4502 2391  
Main Fax : (91-44) 4502 2390

### • **DELHI OFFICE**

Unit No 307, 3rd Floor,  
Baani Corporate One, Plot No. 5  
Non Hierarchical Commercial Centre,  
Jasola, New Delhi – 110025  
Main Line : (91-11) 4100 2960

### • **MUMBAI OFFICE**

Unit No. 501, 5th Floor, Town Centre-II,  
Marol, Sakinaka, Andheri Kurla Road  
Andheri (East), Mumbai 400059  
Main Line : (91-22) 4015 4354  
Main Fax : (91-22) 4015 4354

### • **AHMEDABAD OFFICE**

706, Sakar III, Nr. Income Tax Office  
Ashram Road, Ahmedabad 380014  
Main Line : (91-79) 4891 3150  
Main Fax : (91-79) 2754 0920

### • **PUNE OFFICE**

Regus Business Centre Pune Pvt Ltd  
Level 2, Connaught Place, Bund Garden Road,  
Pune 411001  
Main Line : (91-20) 4014 7553

### • **HYDERABAD OFFICE**

Regus Business Centre Hyderabad Pvt Ltd  
Level 1, Mid Town Building Road No 1,  
Banjara Hills  
Hyderabad Telangana 500034  
Andhra Pradesh, India  
Main Line : (91-40) 4433 4432

## NEW ZEALAND OFFICE

### • **M.TECH PRODUCTS NEW ZEALAND LIMITED**

Level 7, 53 Fort Street,  
Auckland 1010, New Zealand  
Main Line : (61) 2 8987 0400  
Main Fax : (61) 2 8987 0401

## JAPAN OFFICE:

### • **M.TECH PRODUCTS JAPAN KABUSHIKI KAISHA**

10th Floor ACN Kyobashi Yaesu Building,  
2-8-3 Kyobashi  
Chuo-ku, Tokyo  
Japan 104-0031  
Main Line : (65) 6516 0088  
Main Fax : (65) 6862 6558

## KOREA OFFICE:

### • **M.TECH PRODUCTS KOREA LLC**

93, Gyesansae-ro, Gyeyang-gu,  
Incheon 20165, Korea  
Main Line : (65) 6516 0088  
Main Fax : (65) 6862 6558

## UK OFFICE:

### • **M.TECH PRODUCTS (UK) PTE LTD**

65 Compton Street,  
London, EC1V 0BN,  
United Kingdom  
Main Line : (65) 6516 0088  
Main Fax : (65) 6862 6558

## MYANMAR OFFICE:

### • **M.TECH PRODUCTS MYANMAR LIMITED**

Level 8(A), Union Financial Centre (UFC),  
Corner of Mahabandoola Road and Thein  
Phyu Road, Botahtaung Township, Yangon,  
The Republic of the Union of Myanmar  
Main Line : (65) 6516 0088  
Main Fax : (65) 6862 6558

## SRI LANKA OFFICE:

### • **M.SAAS LANKA (PRIVATE) LIMITED**

Bernards Business Park  
106, Dutugemunu Street  
Kohuwala, Dehiwala,  
10250, Sri Lanka.  
Main Line : (94) 1 1711 2111

# FINANCIAL CONTENTS

**86**

Directors' Statement

**90**

Independent Auditors' Report

**96**

Statements of Financial Position

**98**

Consolidated Income Statement

**99**

Consolidated Income Statement and Statement of  
Comprehensive Income

**100**

Consolidated Statement of Changes in Equity

**102**

Consolidated Statement of Cash Flows

**104**

Notes to the Financial Statements

**194**

Additional Information for Shareholders

**195**

Statistics of Shareholders

**196**

Substantial Shareholders

**197**

Notice of Annual General Meeting

**206**

Disclosure of Information on Directors Seeking Re-Election

Proxy Form

# DIRECTORS' STATEMENT

The Directors of Multi-Chem Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2020 and the statement of financial position of the Company as at 31 December 2020.

## 1. Opinion of the Directors

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. Directors

The Directors of the Company in office at the date of this statement are as follows:

Lim Keng Jin  
Foo Suan Sai  
Han Juat Hoon  
Wong Meng Yeng  
Neo Mok Choon  
Foo Maw Shen  
Foo Fang Yong

## 3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



# DIRECTORS' STATEMENT

## 4. Directors' interests in shares or debentures

According to the register of Directors' shareholdings kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), none of the Directors of the Company who held office at the end of the financial year had any interest in the shares or debentures of the Company and its related corporations except as follows:

	Direct Interest		Deemed Interest	
	Balance as at 1 January 2020	Balance as at 31 December 2020	Balance as at 1 January 2020	Balance as at 31 December 2020
	Number of ordinary shares			
<b>Company</b>				
Foo Suan Sai	36,564,625	36,655,425	25,345,125	25,345,125
Han Juat Hoon	25,345,125	25,345,125	36,564,625	36,655,425
Wong Meng Yeng	8,500	8,500	-	-
Foo Fang Yong	78,000	78,000	-	-
Neo Mok Choon	-	-	372,500	372,500

By virtue of Section 7 of the Act, Mr Foo Suan Sai and Mdm Han Juat Hoon are deemed to have interests in the shares of all the subsidiaries of the Company as at the beginning and end of the financial year. Mr Foo Suan Sai is deemed to be interested in the shares held by his wife, Mdm Han Juat Hoon, and vice versa.

In accordance with the continuing listing requirement of the Singapore Exchange Securities Trading Limited, the Directors of the Company state that, according to the register of Directors' shareholding, the Directors' interests as at 21 January 2021 in the shares of the Company have not changed from those disclosed as at 31 December 2020.

## 5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under options as at the end of the financial year.

# DIRECTORS' STATEMENT

## 6. Audit and Risk Management Committee

The Audit and Risk Management Committee comprises the following members who, including the Chairman, are all non-executive and Independent Directors. The members of the Audit and Risk Management Committee during the financial year and at the date of this statement are:

Neo Mok Choon (Chairman)  
Wong Meng Yeng  
Lim Keng Jin  
Foo Maw Shen

The Audit and Risk Management Committee performs the functions specified in Section 201B (5) of the Act. In performing those functions, the Audit and Risk Management Committee reviewed the audit plans and the overall scope of examination by the external and internal auditors of the Company. The Audit and Risk Management Committee also reviewed the independence of the external auditors of the Company and the nature and extent of the non-audit services provided by the external auditors.

The Audit and Risk Management Committee has reviewed the assistance provided by the Company's officers to the external and internal auditors and the financial statements of the Group and the statement of financial position of the Company as well as the Independent Auditor's Report thereon prior to their submission to the Directors of the Company for adoption and reviewed the interested person transactions as defined in Chapter 9 of the Listing Manual.

The Audit and Risk Management Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It has also full discretion to invite any Director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit and Risk Management Committee.

The Audit and Risk Management Committee has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as auditor of the Company at the forthcoming Annual General Meeting. The Audit and Risk Management Committee has carried out an annual review of non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors prior to recommending their recommendation.

In appointing our external auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX-ST Listing Manual.

# DIRECTORS' STATEMENT

## 7. Independent auditors

The independent auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

---

**Foo Suan Sai**

Director

Singapore  
8 March 2021

---

**Han Juat Hoon**

Director



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MULTI-CHEM LIMITED

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Multi-Chem Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 96 to 193 which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020;
- the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT AUDITOR'S REPORT

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 1 Revenue from distribution of Information Technology ("IT") products

#### Key Audit Matter

The Group derives revenue mainly from the distribution of IT products such as IT security hardware, software and vendor maintenance. The Group's revenue from distribution of IT products for the financial year ended 31 December 2020 was \$463,407,000 where the Group's customers obtained control of the IT products based on customer acknowledgement for delivery of goods for local sales and shipping incoterms for overseas sales.

We determined revenue recognition as a key audit matter due to high trading volume towards financial year-end which could affect the timing of revenue recognition in the appropriate financial year.

#### Related Disclosures

Refer to Notes 2.11 and 24 to the financial statements for the accounting policy on revenue recognition and disaggregation of revenue from contracts with customers.

#### Audit Response

Our procedures included, amongst others:

- We performed internal control testing procedures on the key controls identified in the revenue cycle;
- We performed testing on the sales transactions throughout the financial year, on a sample basis, by examining relevant supporting documents such as delivery orders acknowledged by customer/shipping documents and invoices to check that revenue was appropriately recognised;
- We performed cut-off procedures, for a sample of transactions, before and after the financial year, by examining relevant supporting documents such as delivery orders acknowledged by customer/shipping documents and invoices to check that revenue was recognised in the appropriate financial year;
- We tested the credit notes in relation to goods returned issued to customers subsequent to year-end, on a sample basis, to establish that revenue was recognised in the appropriate financial year; and
- We assessed the adequacy of the related disclosures in the financial statements.

# INDEPENDENT AUDITOR'S REPORT

## 2 Recoverability and Expected Credit Loss ("ECL") of trade receivables from third parties

### Key Audit Matter

As at 31 December 2020, the Group had current and non-current trade receivables from third parties amounting to \$122,974,000, net of loss allowance of \$6,741,000. The recoverability of trade receivables from third parties is a key element of the Group's working capital management, which is managed on an ongoing basis by the Group's management.

The Group applied the "simplified approach" for assessing ECL for trade receivables from third parties. Under the simplified approach, the Group's management developed a provision matrix using historical credit loss rates adjusted with forward looking information to reflect the effects of the current and future economic conditions, economic factors impacted by COVID-19 pandemic and customers' country credit rating.

We focused on recoverability and ECL assessment as a key audit matter due to the significant judgements involved in deriving the ECL rates on trade receivables from third parties.

### Related Disclosures

Refer to Notes 2.9, 3.2, 12 and 34.1 to the financial statements for the accounting policy on impairment of trade receivables, key sources of estimation uncertainty, movement in loss allowance for third party trade receivables and credit risk relating to the Group's third party trade receivables respectively.

### Audit Response

Our procedures included, amongst others:

- We assessed the historical payment trend, on-going business relationship and geographical profile of significant past due trade receivables;
- We checked subsequent collections relating to the Group's significant past due trade receivables;
- We verified management's basis of determining credit impaired trade receivables;
- We verified the Group's historical credit loss rates to the historical data, evaluated their reasonableness and tested the mathematical accuracy of the historical credit loss rates;
- We independently verified the external data sources used by the Group in deriving the adjustments made to historical credit loss rates to reflect the effects of the current and future economic conditions and evaluated the reasonableness of the adjustments; and
- We assessed the adequacy of the related disclosures in the financial statements.

# INDEPENDENT AUDITOR'S REPORT

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

# INDEPENDENT AUDITOR'S REPORT

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



# INDEPENDENT AUDITOR'S REPORT

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lee Kuang Hon.

### **BDO LLP**

Public Accountants and  
Chartered Accountants

Singapore  
8 March 2021



# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	4	9,922	10,169	1,058	1,443
Investment properties	5	-	-	2,413	2,469
Investment in subsidiaries	6	-	-	481	9,892
Club memberships	7	735	568	374	374
Right-of-use assets	8	2,626	3,424	117	163
Deferred tax assets	9	3,784	3,223	-	-
Financial asset, at FVOCI	10	552	-	-	-
Financial asset, at FVPL	11	4,384	4,333	4,384	4,333
Trade receivables	12	3,951	3,941	-	-
Prepayments	13	300	384	300	384
		<b>26,254</b>	26,042	<b>9,127</b>	19,058
<b>Current assets</b>					
Inventories	14	43,309	39,664	347	341
Trade and other receivables	12	122,827	134,564	31,437	31,721
Prepayments	13	1,184	1,549	120	119
Current income tax recoverable		2,184	4,539	-	-
Fixed deposits	15	47,809	25,005	9,985	8,987
Cash and bank balances	15	29,841	34,569	527	275
		<b>247,154</b>	239,890	<b>42,416</b>	41,443
Less:					
<b>Current liabilities</b>					
Trade and other payables	16	117,277	103,684	4,075	2,686
Contract liabilities	24	13,361	14,299	-	-
Lease liabilities	17	930	1,145	39	38
Bank borrowings	18	4,763	22,895	3,682	8,627
Current income tax payable		4,224	2,621	-	-
		<b>140,555</b>	144,644	<b>7,796</b>	11,351
<b>Net current assets</b>		<b>106,599</b>	95,246	<b>34,620</b>	30,092

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Less:					
<b>Non-current liabilities</b>					
Contract liabilities	24	2,745	2,903	-	-
Lease liabilities	17	1,911	2,365	68	107
Bank borrowings	18	-	410	-	410
Provision for post-employee benefits	19	649	479	-	-
Deferred tax liabilities	9	717	673	2	2
		<b>6,022</b>	6,830	<b>70</b>	519
<b>Net assets</b>		<b>126,831</b>	114,458	<b>43,677</b>	48,631
<b>Equity</b>					
Share capital	20	37,288	37,288	37,288	37,288
Foreign currency translation account	21	(2,364)	(1,413)	-	-
Other reserves	22	473	2,531	-	-
Retained earnings	23	79,129	65,209	6,389	11,343
<b>Equity attributable to owners of the parent</b>		<b>114,526</b>	103,615	<b>43,677</b>	48,631
Non-controlling interests		12,305	10,843	-	-
<b>Total equity</b>		<b>126,831</b>	114,458	<b>43,677</b>	48,631

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$'000	2019 \$'000
Revenue	24	<b>479,714</b>	455,795
Cost of sales		<b>(408,072)</b>	(389,888)
<b>Gross profit</b>		<b>71,642</b>	65,907
<b>Other items of income</b>			
Interest income		<b>884</b>	613
Other income	25	<b>6,269</b>	2,844
<b>Other items of expense</b>			
Selling and distribution costs		<b>(27,908)</b>	(28,088)
Administrative and other expenses		<b>(22,703)</b>	(23,397)
Loss allowance on third party trade receivables	12	<b>(1,972)</b>	(2,396)
Finance costs	26	<b>(388)</b>	(923)
<b>Profit before income tax</b>	27	<b>25,824</b>	14,560
Income tax expense	28	<b>(6,256)</b>	(4,808)
<b>Profit for the financial year</b>		<b>19,568</b>	9,752
<b>Profit attributable to:</b>			
Owners of the parent		<b>17,776</b>	7,836
Non-controlling interests		<b>1,792</b>	1,916
		<b>19,568</b>	9,752
		<b>2020</b>	2019
<b>Earnings per share</b>	29		
- Basic		<b>19.73 cents</b>	8.70 cents
- Diluted		<b>19.73 cents</b>	8.70 cents

# CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$'000	2019 \$'000
<b>Profit for the financial year</b>		<b>19,568</b>	9,752
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency differences on translation of foreign operations		<b>(1,224)</b>	(1,101)
<b>Item that will not be reclassified subsequently to profit or loss</b>			
Fair value change in financial asset at FVOCI	10	<b>77</b>	-
Remeasurements of post-employee benefits	19	<b>(45)</b>	(37)
<b>Other comprehensive income for the financial year, net of tax</b>		<b>(1,192)</b>	(1,138)
<b>Total comprehensive income for the financial year</b>		<b>18,376</b>	8,614
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		<b>16,857</b>	6,851
Non-controlling interests		<b>1,519</b>	1,763
		<b>18,376</b>	8,614

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Share capital	Foreign currency translation account	Premium on acquisition of non-controlling interests	Fair value reserve	Statutory reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2020		37,288	(1,413)	(123)	-	2,654	65,209	103,615	10,843	114,458
<b>Profit for the financial year</b>		-	-	-	-	-	17,776	17,776	1,792	19,568
<b>Other comprehensive income for the financial year</b>										
Foreign currency differences on translation of foreign operations		-	(951)	-	-	-	-	(951)	(273)	(1,224)
Fair value change in financial asset, FVOCI		-	-	-	77	-	-	77	-	77
Remeasurements of post-employee benefits	19	-	-	-	-	-	(45)	(45)	-	(45)
<b>Total comprehensive income for the financial year</b>		-	(951)	-	77	-	17,731	16,857	1,519	18,376
<b>Distributions to the owners of the parent</b>										
Dividends	30	-	-	-	-	-	(5,946)	(5,946)	-	(5,946)
Transfer from statutory reserve upon liquidation of subsidiary	22	-	-	-	-	(2,135)	2,135	-	-	-
<b>Total transactions with the owners of the parent</b>		-	-	-	-	(2,135)	(3,811)	(5,946)	-	(5,946)
<b>Transactions with non-controlling shareholders</b>										
Dividends paid by a subsidiary		-	-	-	-	-	-	-	(57)	(57)
<b>Total transactions with non-controlling shareholders</b>		-	-	-	-	-	-	-	(57)	(57)
Balance at 31 December 2020		37,288	(2,364)	(123)	77	519	79,129	114,526	12,305	126,831

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Share capital \$'000	Foreign currency translation account \$'000	Premium on acquisition of non-controlling interests \$'000	Statutory reserve \$'000	Retained earnings \$'000	Equity attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2019		37,288	(465)	(123)	3,622	59,415	99,737	9,137	108,874
<b>Profit for the financial year</b>		-	-	-	-	7,836	7,836	1,916	9,752
<b>Other comprehensive income for the financial year</b>									
Foreign currency differences on translation of foreign operations		-	(948)	-	-	-	(948)	(153)	(1,101)
Remeasurements of post-employee benefits	19	-	-	-	-	(37)	(37)	-	(37)
<b>Total comprehensive income for the financial year</b>		-	(948)	-	-	7,799	6,851	1,763	8,614
<b>Distributions to the owners of the parent</b>									
Dividends	30	-	-	-	-	(2,973)	(2,973)	-	(2,973)
Transfer from statutory reserve upon liquidation of subsidiary	22	-	-	-	(968)	968	-	-	-
<b>Total transactions with the owners of the parent</b>		-	-	-	(968)	(2,005)	(2,973)	-	(2,973)
<b>Transactions with non-controlling shareholders</b>									
Dividends paid by a subsidiary		-	-	-	-	-	-	(57)	(57)
<b>Total transactions with non-controlling shareholders</b>		-	-	-	-	-	-	(57)	(57)
Balance at 31 December 2019		37,288	(1,413)	(123)	2,654	65,209	103,615	10,843	114,458

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$'000	2019 \$'000
<b>Operating activities</b>			
Profit before income tax		<b>25,824</b>	14,560
Adjustments for:			
Loss allowance on third party trade receivables	12	<b>1,972</b>	2,396
Allowance made for inventory obsolescence	14	<b>3,441</b>	2,187
Third party trade receivables written off	12	<b>196</b>	29
Fair value change in financial asset, at FVPL	11	<b>(136)</b>	(134)
Fair value change in derivative financial instruments		<b>7</b>	(2)
Depreciation of property, plant and equipment	4	<b>1,424</b>	1,621
Gain on disposal of plant and equipment		<b>(65)</b>	(1,077)
Reversal of impairment loss of plant and equipment	4	-	(460)
Amortisation of club memberships	7	<b>10</b>	19
Loss on disposal of club membership		-	56
Depreciation of right-of-use assets	8	<b>1,342</b>	1,137
Gain on lease modifications		<b>(3)</b>	-
Interest expense	26	<b>388</b>	923
Interest income		<b>(884)</b>	(613)
Inventories written off	14	<b>75</b>	51
Plant and equipment written off		-	17
Unrealised foreign exchange gain		<b>(748)</b>	(247)
Operating cash flows before working capital changes		<b>32,843</b>	20,463
Working capital changes:			
Inventories		<b>(7,755)</b>	(11,191)
Trade and other receivables		<b>8,512</b>	(22,954)
Prepayments		<b>437</b>	(20)
Trade and other payables, and contract liabilities		<b>14,970</b>	22,482
Provision for post-employee benefits		<b>135</b>	74
Cash generated from operations		<b>49,142</b>	8,854
Interest received		<b>830</b>	506
Income tax paid		<b>(2,831)</b>	(6,158)
<b>Net cash generated from operating activities</b>		<b>47,141</b>	3,202
<b>Investing activities</b>			
Derivative financial instruments		<b>(7)</b>	-
Proceeds from disposal of property, plant and equipment		<b>154</b>	3,245
Proceeds from disposal of club membership		-	38
Purchase of property, plant and equipment		<b>(1,103)</b>	(1,205)
Purchase of club membership		<b>(190)</b>	(188)
Purchase of financial asset, FVOCI		<b>(442)</b>	-
<b>Net cash (used in)/generated from investing activities</b>		<b>(1,588)</b>	1,890

The accompanying notes form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$'000	2019 \$'000
<b>Financing activities</b>			
Fixed deposits pledged		(704)	(2,693)
Proceeds from bank borrowings (Note A)		27,901	57,139
Repayments of bank borrowings (Note A)		(46,801)	(54,063)
Repayments of lease liabilities (Note A)		(1,181)	(939)
Interest paid		(388)	(923)
Dividends paid to owners of the parent	30	(5,946)	(2,973)
Dividends paid to non-controlling shareholders		(57)	(57)
<b>Net cash used in financing activities</b>		<b>(27,176)</b>	<b>(4,509)</b>
Net change in cash and cash equivalents		18,377	583
Cash and cash equivalents at beginning of financial year		50,532	50,400
Effects of exchange rate changes on cash and cash equivalents		(1,299)	(451)
Cash and cash equivalents at end of financial year	15	<b>67,610</b>	50,532

## Note A: Reconciliation of liabilities arising from financing activities

	2019 \$'000	Net Cash flows \$'000	Non-cash changes		2020 \$'000
			Additions and modifications of right-of-use properties under lease liabilities \$'000	Foreign exchange differences \$'000	
Bank borrowings	23,305	(18,900)	-	358	4,763
Lease liabilities	3,510	(1,181)	536	(24)	2,841
	26,815	(20,081)	536	334	7,604

	2018 \$'000	Net Cash flows \$'000	Non-cash changes		2019 \$'000
			Additions of right-of-use properties under lease liabilities \$'000	Foreign exchange differences \$'000	
Bank borrowings	20,427	3,076	-	(198)	23,305
Lease liabilities	3,480	(939)	1,050	(81)	3,510
	23,907	2,137	1,050	(279)	26,815

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

These notes form an integral part of and should be read in conjunction with the financial statements.

## 1. General corporate information

Multi-Chem Limited is a public limited company, incorporated and domiciled in Singapore with its registered office and principal place of business at 18 Boon Lay Way, #05-113, Tradehub 21, Singapore 609966. The Company's registration number is 198500318Z. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Group's ultimate controlling parties are Mr Foo Suan Sai and Mdm Han Juat Hoon.

The principal activities of the Company are those of investment holding and provision of value-added printed circuit board ("PCB") manufacturing services, to PCB fabricators and the distribution of specialty chemicals and other PCB related products and equipment to PCB fabricators.

The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

The statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2020 were authorised for issue in accordance with a Directors' resolution dated 8 March 2021.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("S\$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("S\$'000") as indicated.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation of financial statements (Continued)

The preparation of financial statements in conformity with SFRS(I) requires the management to exercise judgement in the process of applying the Group's and the Company's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the end of the reporting periods, and the reported amounts of the revenue and expenses throughout the financial years. Although these estimates are based on management's best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that financial year or in the financial year of the revision and future years if the revision affects both current and future financial years.

Critical accounting judgements and key sources of estimate uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

#### Changes in accounting policy

##### *New standards, amendments and interpretations effective from 1 January 2020*

In the current financial year, the Group and the Company have adopted all the new and revised SFRS(I) and SFRS(I) Interpretation ("SFRS(I) INT") that are relevant to their operations and effective for the current financial year. The adoption of these new or revised SFRS(I) and SFRS(I) INT did not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below.

##### **Amendment to SFRS(I) 16 Leases: COVID-19-Related Rent Concession**

The Group has early adopted the Amendment to SFRS(I) 16 *Covid-19-Related Concessions* for the financial period beginning 1 January 2020.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation of financial statements (Continued)

#### Changes in accounting policy (Continued)

*New standards, amendments and interpretations effective from 1 January 2020*  
(Continued)

#### **Amendment to SFRS(I) 16 Leases: COVID-19-Related Rent Concession** (Continued)

The Group has accounted for the change in lease payments resulting from the rent concession in the same way it would account for the change applying SFRS(I) 16 if the change were not a lease modification. The effect of the early adoption of this standard is disclosed in Notes 8 and 17 to the financial statements.

#### *SFRS(I) issued but not yet effective*

At the date of authorisation of these financial statements, the following SFRS(I) were issued but not yet effective, and have not been adopted early in these financial statements:

		<b>Effective date (annual periods beginning on or after)</b>
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
SFRS(I) 3 (Amendments)	: Reference to the Conceptual Framework	1 January 2022
SFRS(I) 1-16 (Amendments)	: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
SFRS(I) 1-37 (Amendments)	: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Various	: Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
SFRS(I) 17	: Insurance contracts	1 January 2023
SFRS(I) 1-1 (Amendments)	: Classification of Liabilities as Current or Non-current	1 January 2023

Consequential amendments were also made to various standards as a result of these new or revised standards.

Management anticipates that the adoption of the above SFRS(I) in future periods, where applicable, will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from its involvement with the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Group, up to the effective date on which that control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.2 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

### 2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.3 Business combinations (Continued)

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase.

### 2.4 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives on the following bases:

	Years
Building	40
Freehold property	No depreciation
Leasehold properties	Over the lease terms of 25 to 56
Office plant and equipment	1 to 5
Factory plant and machinery	
- Factory machinery	8 to 10
- Other factory equipment	5

Freehold property which comprises freehold land is not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.4 Property, plant and equipment (Continued)

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each reporting period.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### 2.5 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation are initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Depreciation is charged, using the straight-line method, so as to write off the depreciable amounts over their estimated useful lives over the lease terms of 48 to 52 years. The residual values, useful lives and depreciation method of investment properties are reviewed and adjusted as appropriate, at the end of each reporting period. The effects of any revision are included in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

On disposal or retirement of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

### 2.6 Club memberships

The club memberships are initially recognised at cost and subsequently carried at cost less accumulated amortisation and impairment loss, if any.

For club membership with expiry date, amortisation is calculated using the straight-line method to allocate the cost over its estimated useful life of 28 years.

The amortisation periods and amortisation method of club memberships are reviewed at the end of each reporting period. The effects of any revisions are recognised in profit or loss when changes arise.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.6 Club memberships (Continued)

For club memberships with no expiry dates, the carrying amounts of club membership are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

### 2.7 Impairment of non-financial assets

At the end of each reporting period, the Group and the Company review the carrying amounts of their non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### 2.8 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost in respect of chemicals and other PCB related products is determined on a weighted average basis. Cost in respect of IT products is determined based on the specific identification basis. The cost includes all costs of purchase and other costs in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price at which inventories can be realised in the ordinary course of business less estimated costs incurred in marketing and distribution. Where necessary, allowance is made for obsolete, slow-moving and defective inventories to adjust the carrying amount of those inventories to the lower of cost and net realisable value.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.9 Financial instruments

The Group and the Company recognise a financial asset or a financial liability in their statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

#### Financial assets

The Group and the Company classify their financial assets into one of the categories below, depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group and the Company shall reclassify their affected financial assets when and only when the Group changes its business model for managing these financial assets. The Group's accounting policy for each category is as follows:

#### Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the provision matrix to determine the lifetime expected credit losses. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off in profit or loss.

Impairment provisions for receivables from subsidiaries are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's and the Company's financial assets measured at amortised cost comprise trade and other receivables, excluding value added tax, and cash and bank balances in the statements of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.9 Financial instruments (Continued)

#### **Financial assets** (Continued)

##### Financial assets at fair value through other comprehensive income ("FVOCI")

The Group and the Company has a strategic investments in listed and unlisted entities respectively which is not accounted for as subsidiary, associate or jointly controlled entity. For those equity investment, the Group and the Company has made an irrevocable election to classify the investment at fair value through other comprehensive income rather than through profit or loss as the Group and the Company consider this measurement to be the most representative of the business model for these assets. It is carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal, any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments' carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

##### Financial assets at fair value through profit or loss ("FVPL")

Debt instrument that is held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other income".

##### Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

#### **Financial liabilities and equity instruments**

##### Classification as debt or equity

Financial liabilities and equity instruments issued by the Group and the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.9 Financial instruments (Continued)

#### **Financial liabilities and equity instruments** (Continued)

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group and the Company classify ordinary shares as equity instruments.

##### Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost.

##### *Trade and other payables*

Trade and other payables, excluding value added tax and deferred government grants, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

##### *Bank borrowings*

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's and the Company's accounting policy for borrowing costs (Note 2.15).

##### Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

- a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- b) the amount of loss allowance determined in accordance with SFRS(I) 9.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.9 Financial instruments (Continued)

#### **Financial liabilities and equity instruments** (Continued)

##### Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

##### **Derivative financial instruments**

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk using forward currency contracts.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged. The Group has not designated any of its derivatives as hedging instruments.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

### 2.10 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash and deposits with banks and financial institutions. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at bank and fixed deposits, net of fixed deposits pledged.

### 2.11 Revenue recognition

#### IT business

The Group's IT business involves mainly distribution of hardware, software and vendor maintenance relating to internet and networks products ("IT products"). These products provide the Group's customers with security and network performance requirements – from firewalls, web security, intrusion prevention and security analytics to cloud networking virtualisation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.11 Revenue recognition (Continued)

#### IT business (Continued)

The Group also employs a regional team of certified pre and post sales engineers to support the technical needs such as maintenance (“in-house maintenance services”) of the products that IT business distributes. In-house maintenance services can be subscribed by the Group’s customers for period ranging from twelve to thirty-six months. The Group’s engineers deliver their in-house maintenance service either remotely via tele-conferencing, remote access via network connections or on-site service support.

The Group’s revenue from IT business professional services are derived from the following areas:

- IT consultancy, solution design, scoping implementation, technical refresh for end-of-support equipment;
  - On-site deployment, implementation and migration;
  - Software/firmware upgrade; and
  - Ad-hoc services for emergency needs and requirements.
- i) Distribution of IT products

Revenue is recognised at point in time when control of the products has been transferred, being when the goods are delivered to the customers, the customers have full discretion to direct the use of the products, and there is no unfulfilled obligation that could affect the customers’ acceptance of the goods. Delivery occurs when the risk of obsolescence and loss have been transferred, and being acknowledged by customers for in-country sales. Whereas, for oversea sales, acknowledgement is in accordance with the shipping incoterms. Revenue is shown net of value-added tax, returns, rebates, and discounts after eliminating sales within the Group.

The products sold to certain customers are subject to volume rebates based on aggregate sales over a specific period. Revenue from these sales are recognised based on the price specified in the contract, net of estimated volume rebate. Accumulated experience is applied to estimate and provide for the volume rebate, using the expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. There is no element of significant financing component in the Group’s revenue transactions as customers.

All products sold by the Group include standard warranty which are the responsibility of the Group’s suppliers who owns the intellectual property rights of the products distributed. Therefore, the Group has no obligations in respect of the provision for warranty.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.11 Revenue recognition (Continued)

#### IT business (Continued)

- ii) In-house maintenance services  

Revenue are recognised over time on a straight-line basis over the term of the in-house maintenance service level agreement.
- iii) Professional services  

Revenue is recognised at a point in time when the customer has accepted or acknowledged on the services performed.
- iv) Rental services  

Revenue is recognised over time on a straight-line basis over the term of the agreement.
- v) Training services  

Revenue is recognised at a point in time upon the sale of the training programme.

#### PCB business

The Group's PCB business operates as a value-added supplier to PCB fabricators. The PCB business is in two main areas:

- provision of PCB drilling services, mainly precision drilling services to PCB fabricators; and
  - distribution of specialty chemicals and other PCB related products and rental of machines to PCB fabricators.
- i) PCB drilling services  

Revenue from rendering of PCB drilling services includes providing in-country PCB drilling services and recognised at point in time upon the completion of drilling services. Customers are invoiced upon the completion of services.
  - ii) Distribution of PCB related products  

Revenue are recognised at point in time when control of the products has been transferred, being when the goods are delivered to the customers, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.11 Revenue recognition (Continued)

#### PCB business (Continued)

#### iii) Rental of machines

Rental income from leasing of PCB drilling machines is recognised over time on a straight-line basis over the term of the relevant leases.

#### Interest income

Interest income is recognised on a time-apportionment basis using the effective interest method.

#### Commission income

When the Group and the Company act in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group and the Company. Commission income is recognised at a point in time upon the completion of a transaction in which the commission relates to.

### 2.12 Grants

Grants are recognised at the fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures. Grants which are receivable in relation to expenses to be incurred in a subsequent financial period, are included as deferred government grants and classified as non-trade receivables and payables.

### 2.13 Employee benefits

#### Defined contribution plan

Contributions to defined contribution plans are recognised as expenses in profit or loss in the same financial year as the employment that gives rise to the contributions.

#### Defined benefit plans

Certain subsidiaries operate defined benefit pension plans, which are unfunded.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using discount rates as disclosed in Note 19 to the financial statements) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.13 Employee benefits (Continued)

#### Defined benefit plans (Continued)

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the method of "Projected Unit Credit".

Defined benefit costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate as disclosed in Note 19 to the financial statements to the net defined benefit liability or assets. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

#### Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for estimated undiscounted liability for annual leave expected to be settled wholly within twelve months from the end of the reporting period as a result of services rendered by employees up to the end of the reporting period.

### 2.14 Leases

#### **As lessor**

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to lessees) is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.14 Leases (Continued)

#### *As lessee*

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

#### Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.14 Leases (Continued)

#### *As lessee* (Continued)

##### Initial measurement (Continued)

The Group presents the right-of-use assets (excluding those which meet the definition of investment property) and lease liabilities separately from other assets and other liabilities in the consolidated statement of financial position.

##### Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets on the following bases:

	<b>Years</b>
Properties	2 to 8
Office equipment	2 to 4

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.7 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities and variable lease payments not included in the measurement of the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

When the Group and the Company revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.14 Leases (Continued)

#### *As lessee* (Continued)

##### Subsequent measurement (Continued)

When the Group and the Company renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use being adjusted by the same amount.
- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the negotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For lease contracts that convey a right to use an identified asset and require services to be provided by the lessor, the Group and the Company have elected to account for the entire contract as a lease. The Group and the Company do not allocate any amount of contractual payments to, and account separately for, any services provided by the lessor as part of the contract.

### 2.15 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in profit or loss in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.16 Income tax

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity, or in other comprehensive income.

Current income tax expense is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to income tax payable in respect of previous financial years. Taxable income differs from profit reported as profit or loss because it excluded items of income or expenses that are taxable or deductible in other years and it further excludes items of income or expenses that are not taxable or tax deductible.

Deferred tax is provided, using the balance sheet liability method, for temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the tax rates expected to be applied to the temporary differences when they are realised or settled, based on tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and where there is intention to settle the current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.17 Foreign currencies transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the financial year, unless exchange rates fluctuated significantly during that financial year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign currency translation account.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation account.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 2.18 Dividends

Dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared for payment. Final dividends are recorded in the financial year in which the dividends are approved by shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. Summary of significant accounting policies (Continued)

### 2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors who make strategic decisions.

### 2.20 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Company; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (c) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Company.

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

## 3. Critical accounting judgements and key sources of estimation uncertainty

### 3.1 Critical judgements made in applying the accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's and the Company's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

#### Investments in Thailand subsidiaries

The Company's subsidiaries, M.Tech Holdings Pte. Ltd. and E-Secure Asia Pte. Ltd. hold 49% and 48.80% of all shares in its indirect subsidiaries, M-Solutions Technology (Thailand) Co., Ltd. ("MTTH") and E-Secure Asia Co., Ltd. ("ESTH") respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

### 3.1 Critical judgements made in applying the accounting policies (Continued)

#### Investments in Thailand subsidiaries (Continued)

There are loan agreements between the remaining shareholders (the "Borrowers") holding 51% in MTTH and 51.20% in ESTH and their respective immediate holding companies (the "Lenders"), M.Tech Holdings Pte. Ltd. and E-Secure Asia Pte. Ltd., whereby the shares held by the Borrowers have been pledged to the Lenders.

The terms of these pledge agreements include, inter alia:

- (a) the Borrowers agree to allow the Lenders to receive the dividends arising from the pledged shares; and
- (b) the Borrowers agree to appoint the Lenders to have rights to vote in the shareholders' meetings in place of the Borrowers.

Accordingly, the Group has determined that it has control of 100% of the voting rights in both MTTH and ESTH and they have been consolidated as wholly-owned subsidiaries of the Group.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year are discussed below.

#### Allowance for inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. The management determines cost of inventories using the weighted average method for chemicals and other PCB related products and specific identification method for IT products. The management estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provides for excess and obsolete inventories based on historical and estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of the products. However, factors beyond its control, such as demand levels and pricing competition, could change from period to period. Such factors may require the Group and the Company to reduce the value of their inventories. The carrying amounts of the Group's and the Company's inventories as at 31 December 2020 were \$43,309,000 and \$347,000 (2019: \$39,664,000 and \$341,000) respectively.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

### 3.2 Key sources of estimation uncertainty (Continued)

#### Loss allowance for impairment of trade and other receivables

##### *Trade receivables from third parties*

Management applied the “simplified approach” for assessing ECL for trade receivables from third parties. Under the simplified approach, the Group’s management developed a provision matrix using historical credit loss rates adjusted with forward looking information to reflect the effects of the current and future economic conditions, economic factors impacted by COVID-19 pandemic and customers’ country credit rating. The carrying amount of the Group’s trade receivables was \$122,974,000 (2019: \$135,246,000) as at 31 December 2020.

##### *Non-trade receivables due from a subsidiary*

Management determines whether there is significant increase in credit risk of the amount of non-trade receivables due from the subsidiary since initial recognition. Management considers various operating performance ratios as well as liquidity ratios of the subsidiary. There is no significant increase in credit risk as at 31 December 2020. The carrying amounts of the non-trade receivables due from subsidiary was \$30,715,000 (2019: \$31,099,000) as at 31 December 2020.

#### Measurement of lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The Group has determined the discount rate by reference to the respective lessee’s incremental borrowing rate when the rate inherent in the lease is not readily determinable. The Group obtains the relevant market interest rate after considering the applicable geographical location where the lessee operates as well as the term of the lease. Management considers its own credit spread information from its recent borrowings and industry data available in order to adjust the market interest rate obtained from similar economic environment, term and value of the lease.

The average incremental borrowing rate applied to lease liabilities as at 31 December 2020 was 5.83% (2019: 6.11%). The carrying amount of lease liabilities as at 31 December 2020 was \$2,841,000 (2019: \$3,510,000). If the incremental borrowing rate had been 0.5% (2019: 0.5%) higher or lower than management’s estimates, the Group’s lease liabilities would have been lower or higher by \$28,000 (2019: \$39,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 4. Property, plant and equipment

	Building \$'000	Freehold property \$'000	Leasehold properties \$'000	Office plant and equipment \$'000	Factory plant and machinery \$'000	Total \$'000
<b>Group</b>						
<b>Cost</b>						
Balance at 1 January 2020	334	2,383	5,173	9,177	3,798	20,865
Additions	-	-	-	1,101	2	1,103
Disposals	-	-	-	(228)	(1,290)	(1,518)
Written off	-	-	-	(201)	-	(201)
Currency translation adjustment	27	186	(44)	(91)	(958)	(880)
Balance at 31 December 2020	361	2,569	5,129	9,758	1,552	19,369
<b>Accumulated depreciation</b>						
Balance at 1 January 2020	13	-	772	6,908	3,003	10,696
Depreciation for the financial year	11	-	101	1,209	103	1,424
Disposals	-	-	-	(204)	(1,225)	(1,429)
Written off	-	-	-	(201)	-	(201)
Currency translation adjustment	2	-	(10)	(73)	(962)	(1,043)
Balance at 31 December 2020	26	-	863	7,639	919	9,447
<b>Carrying amount</b>						
Balance at 31 December 2020	335	2,569	4,266	2,119	633	9,922

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 4. Property, plant and equipment (Continued)

Group	Building \$'000	Freehold property \$'000	Leasehold properties \$'000	Office plant and equipment \$'000	Factory plant and machinery \$'000	Total \$'000
<b>Cost</b>						
Balance at 1 January 2019	341	2,433	6,616	9,230	22,671	41,291
Additions	-	-	-	1,204	1	1,205
Disposals	-	-	(1,410)	(930)	(17,693)	(20,033)
Written off	-	-	-	(274)	(1,114)	(1,388)
Currency translation adjustment	(7)	(50)	(33)	(53)	(67)	(210)
Balance at 31 December 2019	334	2,383	5,173	9,177	3,798	20,865
<b>Accumulated depreciation and impairment</b>						
Balance at 1 January 2019	3	-	1,123	6,915	20,799	28,840
Depreciation for the financial year	10	-	131	1,126	354	1,621
Disposals	-	-	(476)	(841)	(16,548)	(17,865)
Written off	-	-	-	(257)	(1,114)	(1,371)
Reversal of impairment loss	-	-	-	-	(460)	(460)
Currency translation adjustment	-	-	(6)	(35)	(28)	(69)
Balance at 31 December 2019	13	-	772	6,908	3,003	10,696
<b>Carrying amount</b>						
Balance at 31 December 2019	321	2,383	4,401	2,269	795	10,169

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 4. Property, plant and equipment (Continued)

	Leasehold properties \$'000	Office plant and equipment \$'000	Factory plant and machinery \$'000	Total \$'000
<b>Company</b>				
<b>Cost</b>				
Balance at 1 January 2020	-	2,036	2,312	4,348
Additions	-	1	2	3
Disposals	-	(1)	(762)	(763)
Written off	-	(30)	-	(30)
Balance at 31 December 2020	-	2,006	1,552	3,558
<b>Accumulated depreciation</b>				
Balance at 1 January 2020	-	1,400	1,505	2,905
Depreciation for the financial year	-	212	105	317
Disposals	-	(1)	(691)	(692)
Written off	-	(30)	-	(30)
Balance at 31 December 2020	-	1,581	919	2,500
<b>Carrying amount</b>				
Balance at 31 December 2020	-	425	633	1,058
<b>Cost</b>				
Balance at 1 January 2019	1,410	2,156	2,365	5,931
Additions	-	480	1	481
Disposals	(1,410)	(468)	-	(1,878)
Written off	-	(132)	(54)	(186)
Balance at 31 December 2019	-	2,036	2,312	4,348
<b>Accumulated depreciation</b>				
Balance at 1 January 2019	445	1,747	1,440	3,632
Depreciation for the financial year	31	248	119	398
Disposals	(476)	(468)	-	(944)
Written off	-	(127)	(54)	(181)
Balance at 31 December 2019	-	1,400	1,505	2,905
<b>Carrying amount</b>				
Balance at 31 December 2019	-	636	807	1,443

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 4. Property, plant and equipment (Continued)

The details of the Group's freehold property & building are as follows:

Location	Description	Tenure
Suite 309/50 Holt Street, Surry Hills, New South Wales 2010, Australia	General office building	Freehold

The details of the Group's and the Company's leasehold properties are as follows:

Location	Description	Tenure
18 Boon Lay Way #05-113 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003
18 Boon Lay Way #05-114 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003
18 Boon Lay Way #06-109 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003
18 Boon Lay Way #06-110 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003
18 Boon Lay Way #06-111 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003

## 5. Investment properties

	Company	
	2020	2019
	\$'000	\$'000
<b>Cost</b>		
Balance at beginning and end of financial year	<b>2,791</b>	2,791
<b>Accumulated depreciation</b>		
Balance at beginning of financial year	<b>322</b>	266
Depreciation for the financial year	<b>56</b>	56
Balance at end of financial year	<b>378</b>	322
<b>Carrying value</b>		
At end of financial year	<b>2,413</b>	2,469

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 5. Investment properties (Continued)

The following amounts are recognised in profit or loss:

	Company	
	2020 \$'000	2019 \$'000
Rental income from investment properties	143	149
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment property	25	25

The details of the Company's investment properties are as follows:

Location	Description	Tenure
18 Boon Lay Way #04-108 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003
18 Boon Lay Way #04-110 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003
18 Boon Lay Way #04-111 TradeHub 21, Singapore 609966	General office building	60 years leasehold from 10 December 2003

The Company leased out its investment properties to its subsidiaries, M.Tech Holdings Pte. Ltd. and M.Tech Products Pte Ltd, under cancellable operating leases. At Group level, the investment properties are reclassified as leasehold properties in Note 4 to the financial statements.

The fair value of the Company's investment properties as at 31 December 2020 was approximately \$2,584,000 (2019: \$2,510,000). The fair value was determined based on the management's estimation using the Direct Sale Comparison approach by making reference to market evidence of transacted prices per square metre for comparable properties. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use. Management considers that the fair value of the investment properties is sensitive to these unobservable adjustments to the price per square metre.

Any changes to the unobservable inputs, to the extent that they increase or decrease the price per square metre, will result in a corresponding increase or decrease in the fair values of the properties. There is no significant inter-relationship between unobservable inputs.

There have been no changes in the valuation techniques of investment properties as at the end of the reporting period. The resulting fair values of leasehold properties are considered level 3 fair value measurements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 6. Investments in subsidiaries

	Company	
	2020 \$'000	2019 \$'000
Unquoted equity investments, at cost	15,915	26,953
Liquidation of a subsidiary	(15,222)	(7,916)
Return of capital	-	(3,122)
Allowance for impairment losses	(212)	(6,023)
Carrying amount	481	9,892

Movements in allowance for impairment losses are as follows:

	Company	
	2020 \$'000	2019 \$'000
Balance at beginning of financial year	6,023	5,752
Allowance made during the financial year	-	5,811
Impairment written off upon liquidation of a subsidiary	(5,811)	(5,540)
Balance at end of financial year	212	6,023

During the financial year, the Company carried out a review on the recoverable amount of its investments in subsidiaries due to the losses reported by those subsidiaries. The review led to the recognition of an impairment loss of \$Nil (2019: \$5,811,000) recognised in the Company's profit or loss. As at 31 December 2019, the recoverable amount of the investment in a subsidiary of \$9,411,000 was determined on the basis of the subsidiary's fair value less costs to sell which was estimated by the management using the fair value of the current assets and liabilities. Management determined the fair value of the current assets and liabilities to be approximate their carrying values due to their relatively short-term maturity. The resulting fair values are considered level 3 fair value measurements.

### Incorporation of a subsidiary

In the previous financial year, the Company's indirect subsidiary, M.SaaS Solutions Pte. Ltd., had incorporated a wholly-owned subsidiary, M.SaaS Lanka (Private) Limited, a company incorporated in Sri Lanka, with \$Nil paid-up share capital. In February 2020, M.SaaS Solutions Pte. Ltd. made a capital contribution of \$80 (LKR 10,000) in M.SaaS Lanka (Private) Limited.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 6. Investments in subsidiaries (Continued)

### Liquidation of a subsidiary

During the financial year, the Company's wholly-owned subsidiary incorporated in the People's Republic of China, Multi-Chem Electronics (Kunshan) Co., Ltd. ("Multi-Chem Kunshan"), had been wound up under member's voluntary liquidation on 23 November 2020. Accordingly, Multi-Chem Kunshan ceased to be a subsidiary of the Company. The cost of investment in Multi-Chem Kunshan recognised and the impairment provided in previous financial year which amounted to approximately \$15,222,000 and \$5,811,000 respectively, have been written off upon liquidation of the subsidiary.

In the previous financial year, the Company's wholly-owned subsidiary incorporated in the People's Republic of China, Multi-Chem Laser Technology (Suzhou) Co., Ltd. ("Multi-Chem Laser Suzhou"), had been wound up under member's voluntary liquidation on 11 November 2019. Accordingly, Multi-Chem Laser Suzhou ceased to be a subsidiary of the Company. The cost of investment in Multi-Chem Laser Suzhou and the impairment provided in previous financial year amounted to approximately \$7,916,000 and \$5,540,000 respectively, have been written off upon liquidation of the subsidiary.

### Reduction in share capital of a subsidiary

In the previous financial year, the Company's wholly-owned subsidiary Multi-Chem PCB (Kunshan) Co., Ltd. ("Multi-Chem PCB Kunshan"), had reduced its registered capital from US\$2,500,000 to US\$200,000. Accordingly, the Company's investment in Multi-Chem PCB Kunshan was reduced by US\$2,300,000 (or \$3,122,000 equivalent).

The details of the subsidiaries are as follows:

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held		Proportion of ownership interest held by non-controlling interests		Principal activities
	2020	2019	2020	2019	
	%	%	%	%	
<b>Held by the Company</b>					
M.Tech Products Philippines, Inc. <sup>(g)</sup> (Philippines)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
Multi-Chem Electronics (Kunshan) Co., Ltd. <sup>(c)</sup> (People's Republic of China)	-	100	-	-	Provision of value-added PCB manufacturing services, mainly in precision drilling, to PCB fabricators



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held		Proportion of ownership interest held by non-controlling interests		Principal activities
	2020	2019	2020	2019	
	%	%	%	%	
<b>Held by the Company (Continued)</b>					
Multi-Chem PCB (Kunshan) Co., Ltd. <sup>(c)</sup> (People's Republic of China)	100	100	-	-	Provision of value-added PCB manufacturing services, mainly in precision drilling, to PCB fabricators
M.Tech Holdings Pte. Ltd. <sup>(a)</sup> (Singapore)	100	100	-	-	Investment holding, distribution of hardware and software relating to internet and networks products and the provision of management and administration of the business functions and affairs of its subsidiaries and related company.
<b>Held by M. Tech Holdings Pte. Ltd.</b>					
M.Tech Products Pte Ltd <sup>(a)</sup> (Singapore)	76.75	76.75	23.25	23.25	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M-Solutions Technology (Thailand) Co., Ltd. <sup>(d),(e)</sup> (Thailand)	49	49	51	51	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M-Security Technology Sdn. Bhd. <sup>(b)</sup> (Malaysia)	100	100	-	-	Distribution of information technology products and related services

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held		Proportion of ownership interest held by non-controlling interests		Principal activities
	2020	2019	2020	2019	
	%	%	%	%	
<b>Held by M. Tech Holdings Pte. Ltd. (Continued)</b>					
SecureOneAsia Pte. Ltd. <sup>(a)</sup> (Singapore)	<b>100</b>	100	-	-	Distribution of hardware and software relating to internet and network products, the provision of maintenance services for such products and provision of management services
M-Security Technology Indochina Pte. Ltd. <sup>(a)</sup> (Singapore)	<b>100</b>	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech (Shanghai) Co., Ltd. <sup>(c)</sup> (People's Republic of China)	<b>100</b>	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
PT. M.Tech Products <sup>(f)</sup> (Indonesia)	<b>99</b>	99	<b>1</b>	1	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech Products (HK) Pte Limited <sup>(h)</sup> (Hong Kong)	<b>100</b>	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held		Proportion of ownership interest held by non-controlling interests		Principal activities
	2020	2019	2020	2019	
	%	%	%	%	
<b>Held by M. Tech Holdings Pte. Ltd. (Continued)</b>					
M.Tech Products TW Pte. Ltd. <sup>(a)</sup> (Singapore)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M. Tech Products Aust Pty Limited <sup>(b)</sup> (Australia)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
SecureOne India Holding Pte. Ltd. <sup>(a)</sup> (Singapore)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech Products Japan Kabushiki Kaisha <sup>(b)</sup> (Japan)	100	100	-	-	Distribution of hardware and software relating to internet and networks products and provision of maintenance services for such products
M.Tech Products New Zealand Limited <sup>(b)</sup> (New Zealand)	100	100	-	-	Distribution of hardware and software relating to internet and networks products and provision of maintenance services for such products

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held		Proportion of ownership interest held by non-controlling interests		Principal activities
	2020	2019	2020	2019	
	%	%	%	%	
<b>Held by M. Tech Holdings Pte. Ltd. (Continued)</b>					
M.Tech Products Korea Limited Liability Company <sup>(i)</sup> (South Korea)	100	100	-	-	Distribution of hardware and software relating to internet and networks products and provision of maintenance services for such products
M.Tech Products (UK) Pte Ltd <sup>(i)</sup> (United Kingdom)	100	100	-	-	Distribution of hardware and software relating to internet and networks products and provision of maintenance services for such products
E-Secure Asia Pte. Ltd. <sup>(a)</sup> (Singapore)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
<b>Held by M. Tech Products Pte Ltd</b>					
M.SaaS Solutions Pte. Ltd. <sup>(a)</sup> (Singapore)	76.75	76.75	23.25	23.25	Software consultancy and implementation services
<b>Held by SecureOneAsia Pte. Ltd.</b>					
M-Security Tech Philippines Inc. <sup>(g)</sup> (Philippines)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held		Proportion of ownership interest held by non-controlling interests		Principal activities
	2020	2019	2020	2019	
	%	%	%	%	
<b>Held by SecureOneAsia Pte. Ltd. (Continued)</b>					
M.Tech Products Myanmar Ltd. <sup>(i)</sup> (Republic of the Union of Myanmar)	100	100	-	-	Provision of installation and maintenance services for internet and network products
<b>Held by SecureOne India Holding Pte. Ltd.</b>					
M.Tech Solutions (India) Private Limited <sup>(i)</sup> (India)	99.99	99.99	0.01	0.01	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
<b>Held by M-Security Technology Indochina Pte. Ltd.</b>					
M-Security Technology Vietnam Company Limited <sup>(i),(k)</sup> (Vietnam)	100	100	-	-	Provision of installation and related technical service of hardware and software relating to internet and network products and distribution of such products
<b>Held by E-Secure Asia Pte. Ltd.</b>					
E Fortify Asia Sdn. Bhd. <sup>(b)</sup> (Malaysia)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
E-Secure Asia Co., Ltd. <sup>(d),(e)</sup> (Thailand)	48.80	48.80	51.20	51.20	Distribution of IT products and maintenance services

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 6. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held		Proportion of ownership interest held by non-controlling interests		Principal activities
	2020	2019	2020	2019	
	%	%	%	%	
<b>Held by M.SaaS Solutions Pte. Ltd.</b>					
M.SaaS Lanka (Private) Limited <sup>(f)</sup> (Sri Lanka)	<b>76.75</b>	76.75	<b>23.25</b>	23.25	Provision of IT services, software license sales and hardware sales

Notes:

- (a) Audited by BDO LLP, Singapore
- (b) Audited by BDO PLT, Malaysia
- (c) Audited by Jiangsu Welsen Certified Public Accountants Co., Ltd., People's Republic of China
- (d) Audited by Dharmniti Auditing Co., Ltd, Thailand
- (e) Deemed to be a subsidiary as the Company has power, exposure to variable returns and the ability to use its power to affect those variable returns over the subsidiary.
- (f) Audited by KAP Tanubrata Sutanto Fahmi & Rekan, Indonesia, a member firm of BDO International Limited
- (g) Audited by Mariano Abueme & Co., Philippines
- (h) Audited by BDO Limited, Hong Kong
- (i) Audited by BDO Audit Pty Ltd, Australia
- (j) Not required to be audited and not considered as significant subsidiaries as defined under Rule 718 of the SGX Listing Manual
- (k) Audited by Nexia Stt Vietnam Co., Ltd, Vietnam
- (l) Audited by MSKA & Associates Chartered Accountants, India, a member firm of BDO International Limited

### Non-controlling interests

M.Tech Products Pte Ltd a 76.75% indirectly owned subsidiary of the Company has material non-controlling interests ("NCI").

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 6. Investments in subsidiaries (Continued)

### Non-controlling interests (Continued)

Summarised financial information in relation to M.Tech Products Pte Ltd that have non-controlling interests ("NCI") that are material to the Group, before intra-group eliminations and together with amounts attributed to NCI, is presented below:

	<b>M.Tech Products Pte Ltd</b>	
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Revenue	<b>169,923</b>	179,642
Profit before income tax	<b>9,354</b>	9,896
Income tax expense	<b>(1,519)</b>	(1,654)
Profit after income tax	<b>7,835</b>	8,242
Profit allocated to NCI	<b>1,822</b>	1,916
Other comprehensive income allocated to NCI	<b>-</b>	-
Total comprehensive income allocated to NCI	<b>1,822</b>	1,916
Dividends paid to NCI	<b>(57)</b>	(57)
Cash flows generated from / (used in) operating activities	<b>23,747</b>	(1,537)
Cash flows used in investing activities	<b>(844)</b>	(85)
Cash flows used in financing activities	<b>(309)</b>	(448)
Net cash inflows / (outflows)	<b>22,594</b>	(2,070)
Assets:		
Current assets	<b>99,564</b>	94,314
Non-current assets	<b>8,152</b>	5,672
Liabilities:		
Current liabilities	<b>50,737</b>	49,158
Non-current liabilities	<b>3,370</b>	3,616
Net assets	<b>53,609</b>	47,212
Accumulated non-controlling interests	<b>12,464</b>	10,977

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 6. Investments in subsidiaries (Continued)

### Significant restriction

Cash and bank balances of \$5,201,000 (2019: \$12,808,000), equivalent to RMB25,915,000 (2019: RMB66,919,000), held with subsidiaries in the People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

## 7. Club memberships

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Cost</b>				
Balance at beginning of financial year	636	578	374	186
Addition	190	188	-	188
Disposal	-	(124)	-	-
Currency translation adjustment	(15)	(6)	-	-
Balance at end of financial year	811	636	374	374
<b>Accumulated amortisation</b>				
Balance at beginning of financial year	68	80	-	-
Charged for the financial year	10	19	-	-
Disposal	-	(30)	-	-
Currency translation adjustment	(2)	(1)	-	-
Balance at end of financial year	76	68	-	-
<b>Carrying value</b>				
Balance at end of financial year	735	568	374	374

Club memberships comprise memberships for golf clubs in the People's Republic of China and Singapore. Club memberships of subsidiaries with carrying amount of \$181,000 (2019: \$194,000) which are subject to amortisation over their useful lives have remaining amortisation periods of 20 (2019: 21) years.

As at 31 December 2020, the Group and the Company had club memberships held in trust by an employee and Directors of the Group and the Company with carrying amount of \$367,000 and \$186,000 (2019: \$380,000 and \$186,000) respectively.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 8. Right-of-use assets

	Properties \$'000	Office equipment \$'000	Total \$'000
<b>Group</b>			
<b>Cost</b>			
Balance at 1 January 2020	4,506	40	4,546
Additions	674	-	674
Disposals	(400)	-	(400)
Modification to lease terms	(207)	-	(207)
Currency translation adjustment	(22)	(1)	(23)
Balance at 31 December 2020	<u>4,551</u>	<u>39</u>	<u>4,590</u>
<b>Accumulated depreciation</b>			
Balance at 1 January 2020	1,111	11	1,122
Depreciation for the financial year	1,330	12	1,342
Disposals	(400)	-	(400)
Modification to lease terms	(87)	-	(87)
Currency translation adjustment	(11)	(2)	(13)
Balance at 31 December 2020	<u>1,943</u>	<u>21</u>	<u>1,964</u>
<b>Carrying amount</b>			
Balance at 31 December 2020	<u>2,608</u>	<u>18</u>	<u>2,626</u>
<b>Cost</b>			
Balance at 1 January 2019			
- Adoption of SFRS(I) 16	3,518	40	3,558
Additions	1,079	-	1,079
Currency translation adjustment	(91)	-	(91)
Balance at 31 December 2019	<u>4,506</u>	<u>40</u>	<u>4,546</u>
<b>Accumulated depreciation</b>			
Balance at 1 January 2019	-	-	-
Depreciation for the financial year	1,126	11	1,137
Currency translation adjustment	(15)	-	(15)
Balance at 31 December 2019	<u>1,111</u>	<u>11</u>	<u>1,122</u>
<b>Carrying amount</b>			
Balance at 31 December 2019	<u>3,395</u>	<u>29</u>	<u>3,424</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 8. Right-of-use assets (Continued)

	<b>Properties</b>
	<b>\$'000</b>
<b>Company</b>	
<b>Cost</b>	
Balance at 1 January 2020	177
Modification to lease terms	(2)
Balance at 31 December 2020	<b>175</b>
<b>Accumulated depreciation</b>	
Balance at 1 January 2020	14
Depreciation for the financial year	44
Balance at 31 December 2020	<b>58</b>
<b>Carrying amount</b>	
Balance at 31 December 2020	<b>117</b>
<b>Cost</b>	
Balance at 1 January 2019	
- Adoption of SFRS(I) 16	-
Additions	177
Balance at 31 December 2019	177
<b>Accumulated depreciation</b>	
Balance at 1 January 2019	-
Depreciation for the financial year	14
Balance at 31 December 2019	14
<b>Carrying amount</b>	
Balance at 31 December 2019	163

## 9. Deferred tax assets/(liabilities)

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Deferred tax assets	<b>3,784</b>	3,223	-	-
Deferred tax liabilities	<b>(717)</b>	(673)	<b>(2)</b>	(2)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 9. Deferred tax assets/(liabilities) (Continued)

Movements in deferred tax assets are as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Balance at beginning of financial year	3,223	2,607	-	-
Credit to profit or loss	586	659	-	-
Currency translation adjustment	(25)	(43)	-	-
Balance at end of financial year	3,784	3,223	-	-

Movements in deferred tax liabilities are as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Balance at beginning of financial year	(673)	(482)	(2)	-
Charge to profit or loss	(44)	(191)	-	(2)
Balance at end of financial year	(717)	(673)	(2)	(2)

The following are the major deferred tax assets recognised by the Group and the movements during the financial year.

	Provisions \$'000	Unutilised tax losses \$'000	Other temporary differences \$'000	Total \$'000
<b>Group</b>				
At 1 January 2019	1,692	337	578	2,607
Credit/(Charge) to profit or loss	781	(48)	(74)	659
Currency translation adjustment	(25)	-	(18)	(43)
At 31 December 2019	2,448	289	486	3,223
Credit/(Charge) to profit or loss	306	(178)	458	586
Currency translation adjustment	1	11	(37)	(25)
At 31 December 2020	2,755	122	907	3,784

Deferred tax assets are recognised for provisions, unutilised tax losses and deductible temporary differences to the extent that realisation of the related tax benefits through future taxable profits is probable.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 9. Deferred tax assets/(liabilities) (Continued)

The following are the major deferred tax liabilities recognised by the Group and the movements during the financial year.

	<b>Accelerated tax depreciation</b>	<b>Provisions</b>	<b>Others</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Group</b>				
At 1 January 2019	-	-	(482)	(482)
Credit/(Charge) to profit or loss	2	16	(209)	(191)
At 31 December 2019	2	16	(691)	(673)
Credit/(Charge) to profit or loss	-	-	(44)	(44)
At 31 December 2020	2	16	(735)	(717)

## 10. Financial asset, at FVOCI

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Balance at beginning of financial year	-	-	-	-
Additions	<b>442</b>	-	-	-
Fair value recognised in OCI (Note 22)	<b>77</b>	-	-	-
Currency translation adjustment	<b>33</b>	-	-	-
Balance at end of financial year	<b>552</b>	-	-	-

Details of the instruments are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Quoted equity instruments	<b>552</b>	-	-	-
Unquoted equity instruments	-	-	-	-
	<b>552</b>	-	-	-

The Group and Company have designated all equity instruments to be measured at fair value through other comprehensive income ("FVOCI"). The Group intends to hold these investments for long-term for appreciation in value as well as strategic investments purposes. Dividend income recognised for these investments are included in "Other income".

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 10. Financial asset, at FVOCI (Continued)

The Group's investment in quoted equity instruments has no fix maturity date or coupon rate. The fair value of these equity instruments is based on closing quoted market price on the last market day of financial year.

The fair value of the Company's unquoted equity instruments was \$Nil at the end of each reporting period.

The currency of the Group's investments in equity instruments as at 31 December 2020 is denominated in Australian dollar.

## 11. Financial asset, at FVPL

	Group and Company	
	2020	2019
	\$'000	\$'000
Investment in life insurance plan, at fair value	<b>4,384</b>	4,333

Movements in the investment in life insurance plan is as follows:

	Group and Company	
	2020	2019
	\$'000	\$'000
Balance at beginning of financial year	<b>4,333</b>	4,260
Fair value change recognised in profit or loss	<b>136</b>	134
Exchange differences charged to profit or loss	<b>(85)</b>	(61)
Balance at end of financial year	<b>4,384</b>	4,333

The investment in life insurance plan pertains to the Jade Ultra Global Generations Universal Life Insurance Policy (the "Policy") purchased by the Company for a Director with a sum insured of US\$8,500,000 with a guaranteed return of 4.2% per annum within the 1 year lock-in period, after which, a variable return will be received, as determined by the insurer. On initial recognition, the single premium paid on the Policy amounted to US\$703,000, equivalent to approximately \$922,000 (Note 13). The investment is measured at fair value and changes therein are recognised in profit or loss.

The Policy is pledged as security for the related bank borrowings (Note 18).

The financial asset, at FVPL is denominated in United States dollar.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 12. Trade and other receivables

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Non-current assets</b>				
Trade receivables – third parties	<b>3,951</b>	3,941	-	-
<b>Current assets</b>				
Trade receivables				
- third parties	<b>125,764</b>	136,151	<b>629</b>	501
Loss allowance on third party trade receivables	<b>(6,741)</b>	(4,846)	-	-
	<b>119,023</b>	131,305	<b>629</b>	501
Non-trade receivables				
- third parties	<b>2,228</b>	2,058	<b>83</b>	107
- a subsidiary	-	-	<b>30,715</b>	31,099
	<b>121,251</b>	133,363	<b>31,427</b>	31,707
Deposits	<b>550</b>	526	<b>10</b>	14
Value added tax	<b>1,026</b>	675	-	-
Total current trade and other receivables	<b>122,827</b>	134,564	<b>31,437</b>	31,721
Total trade and other receivables	<b>126,778</b>	138,505	<b>31,437</b>	31,721

Non-current trade receivables due from third parties are unsecured, non-interest bearing and expected to be settled within 2 to 4 years (2019: 2 to 4 years).

Current trade receivables due from third parties are unsecured, non-interest bearing and generally on 30 to 120 (2019: 30 to 120) days credit terms.

Grant receivable of the Group and Company from the government included within non-trade receivables from third parties amounting to \$270,000 (2019: \$Nil) and \$26,000 (2019: \$Nil) respectively relates to the Jobs Support Scheme ("JSS") announced by the Singapore government to provide wage support to employers as part of COVID-19 relief measures to help them retain their local employees during this period of economic uncertainty.

The amount due from a subsidiary is unsecured, repayable on demand and bears an average interest rate of 1.8% (2019: 3.0%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 12. Trade and other receivables (Continued)

The fair values of non-current trade receivables are computed based on cash flows discounted at market borrowing rates. The fair values approximate its carrying amounts.

Movements in loss allowance on third party trade receivables were as follows:

	Group	
	2020 \$'000	2019 \$'000
Balance at beginning of financial year	4,846	2,610
Loss allowance made during the financial year		
- made/(reversed) for lifetime expected credit loss, not credit impaired	602	(47)
- made for lifetime expected credit loss, credit impaired	1,370	2,443
Currency translation adjustment	(77)	(160)
Balance at end of financial year	<b>6,741</b>	4,846

As at 31 December 2020, trade receivables of \$4,427,000 (2019: \$3,077,000) had lifetime expected credit losses of the full value of the receivables. These receivables due at the end of financial year relates to customers located in various geographical areas. The main factors considered in determining the lifetime expected credit losses for these customers are debts past due more than 5 months and there was currently uncertainty over the recoverability of the debts.

During the financial year, trade receivables of \$196,000 (2019: \$29,000) were written off as bad debts and charged to profit or loss as there is no reasonable expectation of recovery.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Singapore dollar	3,572	6,775	21,048	19,378
United States dollar	76,945	85,702	10,326	12,236
Chinese renminbi	10,457	8,634	-	107
Thailand baht	4,100	3,926	-	-
Indian rupee	9,094	7,320	-	-
Ringgit Malaysia	6,598	9,334	-	-
New Taiwan dollar	4,944	4,850	-	-
Australian dollar	4,209	6,383	-	-
Others	6,859	5,581	63	-
	<b>126,778</b>	138,505	<b>31,437</b>	31,721

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 13. Prepayments

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Non-current	300	384	300	384
Current	1,184	1,549	120	119
	<b>1,484</b>	1,933	<b>420</b>	503

The Group's and the Company's prepayment classified as non-current assets represent prepaid insurance premium in relation to the life insurance plan purchased for a Director of the Company (Note 11).

## 14. Inventories

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trading goods	<b>43,309</b>	39,664	<b>347</b>	341

The cost of inventories recognised as an expense and included in "cost of sales" line item in profit or loss amounted to \$393,744,000 (2019: \$375,552,000).

During the financial year, the Group carried out a review of the realisable values of its inventories and the review led to the recognition of an allowance for inventory obsolescence and inventories written off of \$3,441,000 and \$75,000 (2019: \$2,187,000 and \$51,000) respectively that have been included in "cost of sales" line item in profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 15. Cash and bank balances

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Bank balances	<b>29,841</b>	34,569	<b>527</b>	275
Fixed deposits	<b>47,748</b>	24,959	<b>9,985</b>	8,987
Cash and bank balances	<b>77,589</b>	59,528	<b>10,512</b>	9,262
Fixed deposits with maturity >3 months	<b>61</b>	46		
	<b>77,650</b>	59,574		
Fixed deposits pledged with banks	<b>(10,040)</b>	(9,042)		
Cash and cash equivalents as per consolidated statement of cash flows	<b>67,610</b>	50,532		

Fixed deposits mature on varying dates between 4 days to 5 months (2019: 2 days to 5 months) from the end of the reporting period. The effective interest rates on the fixed deposits range from 0.00% to 6.80% (2019: 0.10% to 6.80%) per annum.

As at 31 December 2020, the fixed deposits of the Group amounting to \$10,040,000 (2019: \$9,042,000) were pledged to banks as security for banking facilities as disclosed in Note 18 to the financial statements.

Cash and bank balances included in the statements of financial position are denominated in the following currencies:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Singapore dollar	<b>1,570</b>	1,741	<b>232</b>	114
United States dollar	<b>43,050</b>	24,127	<b>261</b>	149
Chinese renminbi	<b>16,339</b>	21,165	<b>9,985</b>	8,987
Ringgit Malaysia	<b>1,198</b>	843	-	-
Thailand baht	<b>4,926</b>	3,484	-	-
Indian rupee	<b>3,262</b>	2,223	-	-
Australian dollar	<b>2,118</b>	1,920	-	-
Others	<b>5,187</b>	4,071	<b>34</b>	12
	<b>77,650</b>	59,574	<b>10,512</b>	9,262

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 16. Trade and other payables

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade payables				
- third parties	<b>82,406</b>	73,029	<b>81</b>	50
Non-trade payables				
- third parties	<b>17,961</b>	16,497	<b>87</b>	42
Accrued operating expenses	<b>14,220</b>	11,869	<b>3,839</b>	2,540
Value added tax	<b>2,690</b>	2,289	<b>68</b>	54
Total trade and other payables	<b>117,277</b>	103,684	<b>4,075</b>	2,686

Trade and non-trade payables are unsecured, non-interest bearing and are generally on 30 to 90 (2019: 30 to 90) days credit terms.

Deferred government grant of the Group and Company included within non-trade payables to third parties amounting to \$392,000 (2019: \$Nil) and \$39,000 (2019: \$Nil) is in respect of the Singapore government Job Support Scheme, details of which are disclosed in Note 12 to the financial statements.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Singapore dollar	<b>8,839</b>	9,331	<b>3,993</b>	2,632
United States dollar	<b>87,935</b>	68,752	<b>61</b>	48
Chinese renminbi	<b>3,109</b>	2,945	-	-
Ringgit Malaysia	<b>4,773</b>	6,118	-	-
Thailand baht	<b>2,707</b>	2,090	-	-
Australian dollar	<b>2,515</b>	6,013	-	-
New Taiwan dollar	<b>1,035</b>	2,498	<b>1</b>	1
Indonesian rupiah	<b>1,362</b>	970	-	-
Indian rupee	<b>3,742</b>	3,212	-	-
Others	<b>1,260</b>	1,755	<b>20</b>	5
	<b>117,277</b>	103,684	<b>4,075</b>	2,686

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 17. Lease liabilities

	Properties \$'000	Office equipment \$'000	Total \$'000
<b>Group</b>			
Balance at 1 January 2020	3,479	31	3,510
Additions	659	-	659
Modification to lease terms	(123)	-	(123)
Interest expense	257	1	258
Lease payments			
- Principal portion	(1,171)	(10)	(1,181)
- Interest portion	(257)	(1)	(258)
Currency translation adjustment	(25)	1	(24)
Balance at 31 December 2020	<u>2,819</u>	<u>22</u>	<u>2,841</u>
Balance at 1 January 2019	3,440	40	3,480
Additions	1,050	-	1,050
Interest expense	287	1	288
Lease payments			
- Principal portion	(930)	(9)	(939)
- Interest portion	(287)	(1)	(288)
Currency translation adjustment	(81)	-	(81)
Balance at 31 December 2019	<u>3,479</u>	<u>31</u>	<u>3,510</u>

	Properties \$'000
<b>Company</b>	
Balance at 1 January 2020	145
Modification to lease terms	(2)
Interest expense	4
Lease payments	
- Principal portion	(36)
- Interest portion	(4)
Balance at 31 December 2020	<u>107</u>
Balance at 1 January 2019	-
Additions	154
Interest expense	1
Lease payments	
- Principal portion	(9)
- Interest portion	(1)
Balance at 31 December 2019	<u>145</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 17. Lease liabilities (Continued)

The maturity analysis of lease liabilities of the Group and the Company at each reporting date was as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Contractual undiscounted cash flows				
- Within one year	<b>1,086</b>	1,380	<b>42</b>	42
- After one year but within five years	<b>2,090</b>	2,709	<b>70</b>	112
- After five years	<b>234</b>	245	-	-
	<b>3,410</b>	4,334	<b>112</b>	154
Less: Future interest expense	<b>(569)</b>	(824)	<b>(5)</b>	(9)
Present value of lease liabilities	<b>2,841</b>	3,510	<b>107</b>	145
Presented in consolidated statement of financial position				
- Current	<b>930</b>	1,145	<b>39</b>	38
- Non-current	<b>1,911</b>	2,365	<b>68</b>	107
	<b>2,841</b>	3,510	<b>107</b>	145

The Group and the Company lease a number of properties (i.e. offices) and the Group leases office equipment (i.e. copier machines) with fixed payments over the lease terms.

Certain office equipment of the Group are qualified for low value assets and the Group also leases certain properties on the short-term basis (i.e. 12 months or less). The election of short-term leases is made by class of underlying assets with similar nature and use in the Group's operation whereas the low-value lease exemption is made on lease-by-lease basis.

As at 31 December 2020, the average incremental borrowing rate applied in the lease liabilities measurement was 5.83% (2019: 6.11%).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 17. Lease liabilities (Continued)

Lease liabilities are denominated in the following currencies:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Singapore dollar	138	285	107	145
United States dollar	109	111	-	-
Chinese renminbi	647	695	-	-
Ringgit Malaysia	209	246	-	-
Thailand baht	42	206	-	-
Indonesian rupiah	99	216	-	-
Indian rupee	1,123	1,358	-	-
Others	474	393	-	-
	<b>2,841</b>	<b>3,510</b>	<b>107</b>	<b>145</b>

ANNUAL REPORT 2020

15

MULTICHEM LIMITED

## 18. Bank borrowings

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Current liabilities</b>				
<b>Secured</b>				
Short term loans	3,280	8,180	3,280	8,180
Term loan I	402	447	402	447
	<b>3,682</b>	<b>8,627</b>	<b>3,682</b>	<b>8,627</b>
<b>Unsecured</b>				
Short term loans	1,081	14,268	-	-
	<b>4,763</b>	<b>22,895</b>	<b>3,682</b>	<b>8,627</b>
<b>Non-current liabilities</b>				
<b>Secured</b>				
Term loan I	-	410	-	410
	<b>4,763</b>	<b>23,305</b>	<b>3,682</b>	<b>9,037</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 18. Bank borrowings (Continued)

The average effective interest rates per annum of the bank borrowings are as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Short term loans	<b>2.14</b>	2.65	<b>1.48</b>	2.58
Term loan I	<b>2.23</b>	3.82	<b>2.23</b>	3.82

### Secured

Short term loans are secured against fixed deposits placed with financial institutions (Note 15).

Term loan I from a financial institution is repayable over 83 months commencing from 15 January 2015 and secured by the financial asset, at FVPL of the Group and the Company (Note 11).

As at the end of the reporting period, the Group and the Company have banking facilities as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Banking facilities granted	<b>111,373</b>	117,938	<b>77,902</b>	84,057
Banking facilities utilised	<b>4,763</b>	23,305	<b>3,682</b>	9,037

Bank borrowings are denominated in the following currencies:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Singapore dollar	<b>3,280</b>	8,180	<b>3,280</b>	8,180
United States dollar	<b>402</b>	14,103	<b>402</b>	857
New Taiwan dollar	<b>1,081</b>	1,022	-	-
	<b>4,763</b>	23,305	<b>3,682</b>	9,037

The carrying amounts of non-current bank borrowings approximate their fair values as at the end of the reporting period as the interest rates are re-priced frequently.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 19. Provision for post-employee benefits

The Group recognises provision for post-employment benefits for all its permanent employees in Indonesia in accordance with Indonesian Labour Law No. 13/2003. The program is not funded by the Group. The provision is based on an actuarial calculation by an independent actuary using the "Projected Unit Credit Method".

	<b>Group</b>	
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Provision for employee service entitlement benefits		
- Post-employment benefit program ("Plan A")	<b>615</b>	455
- Other long-term employee benefit program ("Plan B")	<b>34</b>	24
	<b>649</b>	479

	<b>Group</b>	
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Present value of provision for post-employee benefits	<b>659</b>	460
Currency alignment	<b>(10)</b>	19
Net benefit liability	<b>649</b>	479

The amounts recognised in profit or loss in respect of these employee benefits are as follows:

	<b>Group</b>	
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Current services costs	<b>104</b>	82
Past services costs	<b>(5)</b>	-
Interest costs	<b>37</b>	28
Actuarial (gain)/loss	<b>(2)</b>	1
Foreign exchange rate effect	<b>1</b>	(1)
	<b>135</b>	110

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 19. Provision for post-employee benefits (Continued)

Changes in the present value of the provision for post-employee benefits are as follows:

	Group	
	2020 \$'000	2019 \$'000
Balance at beginning of financial year	479	349
Charge to profit or loss	135	110
Net remeasurements of post-employee benefits recognised in other comprehensive income	45	37
Repayment made during the financial year	-	(36)
Currency realignment	(10)	19
Balance at end of financial year	<b>649</b>	479

The cost of providing for employee benefits is calculated by independent actuaries. The actuarial valuations were carried out using the following key assumptions:

	Group	
	2020	2019
Financial assumptions:		
Annual discount rate		
- Plan A	7.25%	8.00%
- Plan B	1.35%	2.15%
Annual salary growth rate	10%	10%
Demographic assumptions:		
Retirement age	<b>56 years</b>	55 years

The weighted average duration of the post-employee benefits at the end of the reporting period is 18.06 years (2019: 17.55 years).

Significant actuarial assumptions for the determination of the defined obligation are annual discount rate and annual salary growth. No sensitivity analysis is disclosed as the effect of a reasonably possible change to one actuarial assumption, holding all other assumptions constant, will not have a significant effect on the defined obligation valuations.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 20. Share capital

	Group and Company			
	2020	2019	2020	2019
	Number of ordinary shares			
	'000	'000	\$'000	\$'000
Issued and fully-paid				
Balance at beginning and end of financial year	<b>90,095</b>	90,095	<b>37,288</b>	37,288

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

## 21. Foreign currency translation account

Foreign currency translation account comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency and is not distributable.

## 22. Other reserves

	Group	
	2020 \$'000	2019 \$'000
Premium on acquisition of non-controlling interests	<b>(123)</b>	(123)
Fair value reserve	<b>77</b>	-
China statutory reserve	<b>478</b>	2,613
Thailand statutory reserve	<b>41</b>	41
	<b>473</b>	2,531

### Premium on acquisition of non-controlling interests

Premium on acquisition of non-controlling interests is the effect of transactions with non-controlling interests if there are no changes in control and the transactions will no longer result in goodwill or gains or losses.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 22. Other reserves (Continued)

### Fair value reserve

Fair value reserve represents the cumulative fair value changes, net of tax, of financial assets measured at FVOCI until they are derecognised. Upon derecognition, the cumulative fair value changes will be transferred to retained earnings.

### China statutory reserve

According to the relevant regulations in the People's Republic of China ("PRC") and the Articles of Association of the PRC subsidiaries, they are required to transfer 10% of their profit after income tax to the statutory reserve until the reserve balance reaches 50% of their registered capital. The transfer of this reserve must be made before the distribution of dividends to shareholders. Statutory reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of owners, provided that the balance after conversion is not less than 25% of the registered capital.

### Thailand statutory reserve

Under the provisions of the Civil and Commercial Code of Thailand, the subsidiary in Thailand is required to set aside as legal reserve at least 5% of its profit at each dividend declaration until the reserve reaches 10% of authorised capital. The reserve is not available for dividend distribution. The subsidiary in Thailand had already appropriated retained earnings as legal reserve amounting to Thailand baht 1,000,000 (or \$41,000) equivalent to 10% of the authorised capital.

The movements of the other reserves of the Group are presented in the consolidated statement of changes in equity.

## 23. Retained earnings

Movements of retained earnings of the Company are as follows:

	<b>Company</b>	
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Balance at beginning of financial year	<b>11,343</b>	20,935
Total comprehensive income for the financial year	<b>992</b>	(6,619)
Dividends (Note 30)	<b>(5,946)</b>	(2,973)
Balance at end of financial year	<b>6,389</b>	11,343

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 24. Revenue

### Disaggregation of revenue

The Group has disaggregated revenue into various categories in the following table:

	At a point time		Group Over time		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>IT business</b>						
- Distribution of IT products	<b>463,407</b>	440,945	-	-	<b>463,407</b>	440,945
- In-house maintenance services	-	-	<b>8,713</b>	7,217	<b>8,713</b>	7,217
- Professional services	<b>5,211</b>	5,084	-	-	<b>5,211</b>	5,084
- Training services	<b>190</b>	167	-	-	<b>190</b>	167
<b>PCB business</b>						
- PCB services	<b>1,066</b>	1,105	-	-	<b>1,066</b>	1,105
- Distribution of PCB related products	<b>588</b>	521	-	-	<b>588</b>	521
	<b>470,462</b>	447,822	<b>8,713</b>	7,217	<b>479,175</b>	455,039
<b>Rental</b>						
IT					<b>22</b>	19
PCB					<b>517</b>	737
					<b>479,714</b>	455,795

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 24. Revenue (Continued)

### Contract liabilities

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Non-current liabilities</b>				
Deferred revenue	<b>2,745</b>	2,903	-	-
<b>Current liabilities</b>				
Advance billings	<b>6,762</b>	8,034	-	-
Deferred revenue	<b>4,274</b>	4,068	-	-
Rebate to customers	<b>2,325</b>	2,197	-	-
Total current contract liabilities	<b>13,361</b>	14,299	-	-
Total contract liabilities	<b>16,106</b>	17,202	-	-

#### a) Significant changes in contract liabilities

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Balance at beginning of financial year	<b>17,202</b>	14,927	-	8
Balance recognised as revenue during the financial year	<b>(11,497)</b>	(9,811)	-	(8)
Invoice issued during the year and not recognised as revenue	<b>10,460</b>	12,214	-	-
Currency translation adjustment	<b>(59)</b>	(128)	-	-
Balance at end of financial year	<b>16,106</b>	17,202	-	-

Advanced billings to customers are for products and services to be delivered in future financial periods. Management had assessed that the arrangement did not comprise a significant financing component as the amount is expected to be utilised within 12 months.

Deferred revenue represents unrecognised revenue from maintenance contracts expiring in future financial periods.

The Group offers volume rebates to certain distribution contracts in IT business. Revenue is presented net of rebates accrued.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 24. Revenue (Continued)

### Contract liabilities (Continued)

#### b) Remaining performance obligations

Certain delivery of IT products and in-house maintenance services have been entered into for which both:

- the Group's right to consideration does not correspond directly with the performance; and
- the original contractual period was greater than 12 months.

The amount of revenue that will be recognised in future periods on these contracts when those remaining performance obligations will be satisfied is analysed as follows:

#### 2020

	2021	2022	2023	2024	2025	2026	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Advance billings	6,762	-	-	-	-	-	6,762
Deferred revenue	4,266	1,792	725	176	59	1	7,019
	<b>11,028</b>	<b>1,792</b>	<b>725</b>	<b>176</b>	<b>59</b>	<b>1</b>	<b>13,781</b>

#### 2019

	2020	2021	2022	2023	2024	2025	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Advance billings	8,034	-	-	-	-	-	8,034
Deferred revenue	4,068	1,493	894	375	106	35	6,971
	<b>12,102</b>	<b>1,493</b>	<b>894</b>	<b>375</b>	<b>106</b>	<b>35</b>	<b>15,005</b>

Variable consideration relating to volume rebates has been constrained in estimating contract revenue in order that it is highly probable that there will not be a significant future reversal in the amount of revenue recognised when the amount of volume rebates has been determined. Therefore, the above amounts do not include the amounts of such variable consideration that has been constrained.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 25. Other income

	Group	
	2020	2019
	\$'000	\$'000
Commission income	364	224
Fair value change in financial asset, FVPL	136	134
Fair value change in derivative financial instruments	-	2
Freight income	599	401
Foreign exchange gain, net	2,047	80
Gain on disposal of plant and equipment	65	1,077
Gain on lease modifications	3	-
Government grant		
- Job Support Scheme	2,072	-
- Others	619	357
Reversal of impairment loss of plant and equipment	-	460
Third party trade and other payables written off	331	-
Scrap sales	1	74
Others	32	35
	<b>6,269</b>	<b>2,844</b>

## 26. Finance costs

	Group	
	2020	2019
	\$'000	\$'000
Interest expenses:		
- bank borrowings	130	310
- lease liabilities	258	288
- finance receivables	-	325
	<b>388</b>	<b>923</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 27. Profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	<b>Group</b>	
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
<i>Cost of sales</i>		
Allowance made for inventory obsolescence	<b>3,441</b>	2,187
Inventories written off	<b>75</b>	51
Depreciation of property, plant and equipment	<b>100</b>	217
<i>Selling and distribution costs</i>		
Entertainment	<b>1,310</b>	1,579
Sales commission	<b>3,949</b>	3,614
Travelling	<b>190</b>	994
<i>Administrative and other expenses</i>		
Amortisation of club memberships	<b>10</b>	19
Depreciation of right-of-use assets	<b>1,342</b>	1,137
Third party trade receivables written off	<b>196</b>	29
Depreciation of property, plant and equipment	<b>1,324</b>	1,404
Fair value change in derivative financial instruments	<b>7</b>	-
Directors' fees		
– Directors of the Company	<b>219</b>	239
Audit fees		
– auditors of the Company	<b>151</b>	154
– other auditors	<b>130</b>	137
Non-audit fees		
– auditors of the Company	<b>-</b>	5
– other auditors	<b>19</b>	22
Lease expenses		
– short-term leases	<b>34</b>	229
– low value assets	<b>15</b>	4
Plant and equipment written off	<b>-</b>	17

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 27. Profit before income tax (Continued)

The profit before income tax also includes:

	<b>Group</b>	
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Employee benefits expense		
- salaries and other short term benefits	<b>33,848</b>	33,272
- post-employment benefits	<b>3,239</b>	3,359
	<b>37,087</b>	36,631

The employee benefits expense is recognised in the following line items of profit or loss:

	<b>Group</b>	
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Cost of sales	<b>214</b>	358
Selling and distribution costs	<b>25,786</b>	24,643
Administrative and other expenses	<b>11,087</b>	11,630
	<b>37,087</b>	36,631

Included in the employee benefits expense were key management remuneration as disclosed in Note 33 to the financial statements.

## 28. Income tax expense

	<b>Group</b>	
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Current income tax		
- current financial year	<b>6,081</b>	4,748
- under provision in prior financial years	<b>217</b>	258
- withholding tax paid overseas	<b>500</b>	270
	<b>6,798</b>	5,276
Deferred tax		
- current financial year	<b>(749)</b>	(536)
- under provision in prior financial years	<b>207</b>	68
	<b>(542)</b>	(468)
Total income tax expense recognised in profit or loss	<b>6,256</b>	4,808



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 28. Income tax expense (Continued)

Domestic income tax is calculated at 17% (2019: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2019: 17%) to profit before income tax as a result of the following differences:

	Group	
	2020 \$'000	2019 \$'000
Profit before income tax	<b>25,824</b>	14,560
Income tax calculated at applicable income tax rate of 17%	<b>4,390</b>	2,475
Effect of different income tax rates in other countries	<b>875</b>	143
Effect of expenses not deductible for income tax purposes	<b>102</b>	899
Effect of partial tax exemption and tax relief	<b>(169)</b>	(69)
Deferred tax assets not recognised	<b>157</b>	1,028
Utilisation of deferred tax assets not recognised previously	<b>(44)</b>	(276)
Under provision of current income tax in prior financial years	<b>217</b>	258
Under provision of deferred tax in prior financial years	<b>207</b>	68
Withholding tax paid overseas	<b>500</b>	270
Others	<b>21</b>	12
	<b>6,256</b>	4,808

### Unrecognised deferred tax assets

	Group	
	2020 \$'000	2019 \$'000
Balance at beginning of financial year	<b>1,858</b>	2,709
Utilised during the financial year	<b>(44)</b>	(276)
Amount not recognised during the financial year	<b>157</b>	1,028
Forfeited upon expiration	<b>(1,134)</b>	(1,545)
Currency translation adjustment	<b>42</b>	(58)
Balance at end of financial year	<b>879</b>	1,858

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 28. Income tax expense (Continued)

*Unrecognised deferred tax assets (Continued)*

Unrecognised deferred tax assets are attributable to:

	<b>Group</b>	
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Unutilised tax losses	<b>157</b>	1,553
Other temporary differences	<b>722</b>	305
	<b>879</b>	1,858

As at 31 December 2020, the Group had unrecognised tax losses of approximately \$829,000 (2019: \$6,612,000) available for offset against future taxable profits subject to the agreement by the tax authorities and provisions of the tax legislations of the respective countries in which the Group operates. No deferred tax assets have been recognised in respect of such losses as the management is not confident that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the consolidated financial statements of the Group in accordance with its accounting policy.

The total unutilised tax losses of the subsidiaries in the jurisdiction of the People's Republic of China amounting to approximately \$Nil (2019: \$6,281,000) can only be utilised for set-off against its future taxable profits within five years from the date the tax losses were incurred.

## 29. Earnings per share

The calculation for earnings per share is based on:

	<b>Group</b>	
	<b>2020</b>	2019
Profit after income tax attributable to owners of the parent (\$'000)	<b>17,776</b>	7,836
Actual number of ordinary shares in issue during the financial year applicable to basic earnings per share ('000)	<b>90,095</b>	90,095
Earnings per share (in cents)		
- Basic	<b>19.73</b>	8.70
- Diluted	<b>19.73</b>	8.70

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 29. Earnings per share (Continued)

Basic earnings per share is calculated by dividing the net profit for the financial year attributable to owners of the parent by the actual number of ordinary shares in issue during the financial year. As the Group has no dilutive potential ordinary shares, the diluted earnings per share is equivalent to basic earnings per share for the financial year.

## 30. Dividends

	Group and Company	
	2020 \$'000	2019 \$'000
Final tax-exempt dividends paid of \$0.044 per share in respect of financial year ended 31 December 2019	3,964	-
Special tax-exempt dividends paid of \$0.022 per share in respect of financial year ended 31 December 2019	1,982	-
Final tax-exempt dividends paid of \$0.033 per share in respect of financial year ended 31 December 2018	-	2,973
	<b>5,946</b>	<b>2,973</b>

The Directors of the Company recommend a final tax-exempt (one tier) and special tax-exempt (one tier) dividends of \$0.066 and \$Nil (2019: \$0.044 and \$0.022) per ordinary share amounting to approximately \$5,946,000 (2019: \$5,946,000) be paid in respect of current financial year. The dividends have not been recognised as a liability as at the end of the reporting period as it is subject to approval by shareholders at the Annual General Meeting of the Company.

## 31. Commitments and contingent liabilities

### 31.1 Operating lease commitments

*The Group and the Company as lessors*

The Group and the Company have entered into lease commitment on its machineries. These non-cancellable leases have remaining lease terms of between 6 to 9 (2019: 1 to 9) months.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 31. Commitments and contingent liabilities (Continued)

### 31.1 Operating lease commitments (Continued)

*The Group and the Company as lessors (Continued)*

As at the end of the reporting period, the undiscounted rentals receivable under non-cancellable leases for plant and machinery are as follows:

	<b>Group and Company</b>	
	<b>2020</b>	2019
	<b>\$'000</b>	\$'000
Within one year	<b>286</b>	354

### 31.2 Contingent liabilities

*Corporate guarantees*

As at 31 December 2020, the Company had given guarantees amounting to \$1,081,000 (2019: \$14,268,000) to certain banks in respect of banking facilities granted to the subsidiaries. Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the respective subsidiaries to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings.

The Company has considered the fair values of the corporate guarantees and the consequential liabilities derived from its guarantees to the banks with regards to the subsidiaries are insignificant. The subsidiaries for which the guarantees were provided is in favourable equity position and are profitable, with no default in the repayment of borrowings and credit facilities.

## 32. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker.

Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in these primary geographic areas: Singapore, Greater China (including Hong Kong and Taiwan), Australia and other countries. These locations are engaged in the manufacturing, distribution of PCB and distribution of IT products.

The Group has two reportable segments being PCB business and IT business.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 32. Segment information (Continued)

The PCB business segment provides precision drilling services to PCB fabricators and distributes specialty chemicals and other PCB-related products and equipment to PCB manufacturers and rental of machines.

The IT business segment relates to the distribution of hardware and software relating to internet and network products and the provision of maintenance services for such products.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

Income taxes are managed on a Group basis.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss from 2019.

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

	← Singapore →		← Greater China →		Australia	Others	Elimination and adjustments	Total
	IT business	PCB business	IT business	PCB business	IT business	IT business		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2020</b>								
<b>Revenue</b>								
- External sales	221,003	2,170	58,837	-	50,428	147,276	-	479,714
- Inter-segment sales	1	-	-	-	34	-	(35)	-
Total revenue	221,004	2,170	58,837	-	50,462	147,276	(35)	479,714

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 32. Segment information (Continued)

	IT business \$'000	PCB business \$'000	Elimination and adjustments \$'000	Total \$'000
<b>2020</b>				
<b>Segment results</b>				
Interest income	504	380	-	884
Interest expense	(384)	(4)	-	(388)
Depreciation of property, plant and equipment	(1,052)	(372)	-	(1,424)
Other non-cash items:				
- Gain on disposal of plant and equipment	16	49	-	65
- Amortisation of club memberships	(10)	-	-	(10)
- Depreciation of right-of-use assets	(1,298)	(44)	-	(1,342)
- Third party trade receivables written off	(196)	-	-	(196)
- Inventories written off	(75)	-	-	(75)
- Unrealised foreign exchange gain	673	75	-	748
- Allowance (made)/reversed for inventory obsolescence	(3,454)	13	-	(3,441)
- Loss allowance on third party trade receivables	(1,972)	-	-	(1,972)
- Fair value change in financial asset, at FVPL	-	136	-	136
- Fair value change in derivative financial instruments	(7)	-	-	(7)
Segment profit	27,211	(1,387)	-	25,824

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 32. Segment information (Continued)

	← Singapore →		← Greater China →		Australia	Others	Unallocated	Elimination and adjustments	Total
	IT business	PCB business	IT business	PCB business	IT business	IT business			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
<b>2020</b>									
<b>Capital expenditure</b>									
Property, plant and equipment	740	4	153	-	5	201	-	-	1,103
<b>2020</b>									
<b>Assets and liabilities</b>									
Segment assets	137,103	20,347	28,863	2,287	12,783	66,057	5,968	-	273,408
Segment liabilities	74,100	7,864	12,898	8	7,961	38,805	4,941	-	146,577

	← Singapore →		← Greater China →		Australia	Others	Unallocated	Elimination and adjustments	Total
	IT business	PCB business	IT business	PCB business	IT business	IT business			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
<b>2019</b>									
<b>Revenue</b>									
- External sales	214,783	2,278	50,868	84	56,663	131,119	-	-	455,795
- Inter-segment sales	8	-	-	-	-	-	(8)	-	-
Total revenue	214,791	2,278	50,868	84	56,663	131,119	(8)	-	455,795

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 32. Segment information (Continued)

	IT business \$'000	PCB business \$'000	Elimination and adjustments \$'000	Total \$'000
<b>2019</b>				
<b>Segment results</b>				
Interest income	190	423	-	613
Interest expense	(922)	(1)	-	(923)
Depreciation of property, plant and equipment	(933)	(688)	-	(1,621)
Other non-cash items:				
- Gain on disposal of plant and equipment	10	1,067	-	1,077
- Reversal of impairment loss of plant and equipment	-	460	-	460
- Amortisation of club memberships	(10)	(9)	-	(19)
- Loss on disposal of club memberships	-	(56)	-	(56)
- Depreciation of right-of-use assets	(1,122)	(15)	-	(1,137)
- Third party trade receivables written off	(29)	-	-	(29)
- Inventories written off	(51)	-	-	(51)
- Plant and equipment written off	(2)	(15)	-	(17)
- Unrealised foreign exchange gain/(loss)	286	(39)	-	247
- Allowance made for inventory obsolescence	(2,166)	(21)	-	(2,187)
- Loss allowance on third party trade receivables	(2,396)	-	-	(2,396)
- Fair value change in financial asset, at FVPL	-	134	-	134
- Fair value change in derivative financial instruments	2	-	-	2
Segment profit	17,074	(2,514)	-	14,560



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 32. Segment information (Continued)

	← Singapore →		← Greater China →		Australia	Others		Elimination and adjustments	Total
	IT business	PCB business	IT business	PCB business	IT business	IT business	Unallocated	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>									
<b>Capital expenditure</b>									
Property, plant and equipment	287	481	16	-	5	416	-	-	1,205
<b>2019</b>									
<b>Assets and liabilities</b>									
Segment assets	125,555	19,509	25,918	10,051	26,020	51,117	7,762	-	265,932
Segment liabilities	86,626	11,867	12,970	29	13,841	22,847	3,294	-	151,474

## Geographical information

The Group's two business segments operate in four main geographical areas. Revenue is based on the country in which the customer is located.

### Revenue from external customers

	Singapore	Greater China	Australia	Others	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2020</b>					
Revenue from external customers	177,954	61,493	50,275	189,992	479,714
<b>2019</b>					
Revenue from external customers	183,761	51,848	56,658	163,528	455,795

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 32. Segment information (Continued)

### Geographical information (Continued)

Location of non-current assets

	Singapore \$'000	Greater China \$'000	Australia \$'000	Others \$'000	Group \$'000
<b>2020</b>					
Non-current assets	<b>7,758</b>	<b>1,121</b>	<b>3,028</b>	<b>1,676</b>	<b>13,583</b>
<b>2019</b>					
Non-current assets	8,270	859	2,853	2,563	14,545

Non-current assets consist of property, plant and equipment, right-of-use assets, club memberships and prepayment as presented in the consolidated statement of financial position of the Group.

### Major customers

Revenue derived from one customer (2019: two customers) of the Group's IT business was approximately \$57,420,000 (2019: \$111,439,000). The details of these customers which individually contributed 10 percent or more of the Group's revenue in the financial year are as follows:

	Group	
	2020 \$'000	2019 \$'000
Customer A	<b>57,420</b>	61,865
Customer B	-	49,574
	<b>57,420</b>	111,439

## 33. Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 33. Significant related party transactions (Continued)

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions between the Group and its related parties during the financial year at rates and terms agreed between the parties:

	Company	
	2020 \$'000	2019 \$'000
<b>With subsidiaries</b>		
Advances made to subsidiaries	5,529	12,456
Interest on advances made to a subsidiary	532	807
Dividend income	1,543	-
Rental income	143	149
Service fee	3,879	3,083

### Compensation of key management personnel

The remuneration of Directors and other members of the key management personnel of the Group and the Company during the financial year was as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Salaries and other short-term benefits (other than fees)	6,698	4,735	5,349	3,902
Post-employment benefits	118	113	86	86
Directors' fees	219	239	219	239
	<b>7,035</b>	<b>5,087</b>	<b>5,654</b>	<b>4,227</b>

The above includes the following remuneration to the Directors of the Company:

	Group	
	2020 \$'000	2019 \$'000
Salaries and other short-term benefits (other than fees)	5,033	3,191
Post-employment benefits	49	44
Directors' fees	219	239
	<b>5,301</b>	<b>3,474</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. Financial instruments, financial risks and capital management

The Group's and the Company's activities expose them to credit risk, market risk (including interest rate risk and foreign exchange risk), and liquidity risk. The Group's and the Company's overall risk management strategy seek to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

The Board of Directors of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The Group's and the Company's management then establish the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposures to these financial risks or the manner in which they manage and measure these risks.

### 34.1 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group and the Company are mainly exposed to credit risk from credit sales. It is the Group policy, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

The management has established a credit policy under which each new customer is reviewed for creditworthiness before the Group's payment and delivery terms and conditions are offered. The Group's review includes external ratings, and customers' financials, when available. Credit limits are established for each customer.

The management determines concentrations of credit risk through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their geography and ageing. Within each group, geographical economics/credit rating and historical back-testing data are analysed. The average historical loss rate is computed for each group. Customers are assessed individually for any period-end receivables if specific information is available and the expected credit losses are estimated to be 100%. A customer is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that customer have occurred. Evidence that a customer is credit-impaired includes observable data such as significant financial difficulty of the customer, breach of contract such as a default or past due event or it is becoming probable that the customer will enter bankruptcy or other financial reorganisation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. Financial instruments, financial risks and capital management (Continued)

### 34.1 Credit risk (Continued)

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as follows:

	Company	
	2020 \$'000	2019 \$'000
Corporate guarantees provided to banks for subsidiaries' banking facilities utilised as at the end of financial year	<b>1,081</b>	14,268

For the corporate guarantee issued, the Company has assessed that these subsidiaries have sufficient financial capabilities to meet their contractual cash flows obligation in the near future hence, does not expect any material loss allowance under 12-month expected credit loss model.

The Group and the Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for the top three trade receivables from third parties amounting to approximately \$25,639,000 and \$603,000 (2019: \$46,408,000 and \$491,000) respectively as at 31 December 2020.

The Group's and the Company's major classes of financial assets are bank deposits and trade and other receivables. The bank deposits are held in financial institutions which are independently rated parties with minimum rating "BBB" and above.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. Financial instruments, financial risks and capital management (Continued)

### 34.1 Credit risk (Continued)

The credit risk for trade receivables based on the information provided to the Group's and the Company's management as at the end of the reporting period was as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
IT business				
- Australia	5,827	7,636	-	-
- Singapore	56,956	74,325	-	-
- Taiwan	6,048	6,915	-	-
- China	10,740	8,812	-	-
- Malaysia	6,800	9,527	-	-
- Thailand	3,640	3,914	-	-
- Philippine	5,025	2,633	-	-
- India	21,799	12,351	-	-
- Indonesia	3,500	2,621	-	-
- Vietnam	3,566	3,830	-	-
- Others	5,185	7,027	-	-
	<b>129,086</b>	139,591	-	-
PCB business				
- Singapore	629	501	629	501
- Others	-	-	-	-
	<b>629</b>	501	<b>629</b>	501
	<b>129,715</b>	140,092	<b>629</b>	501

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. Financial instruments, financial risks and capital management (Continued)

### 34.1 Credit risk (Continued)

As at each financial year end, the lifetime expected loss provision, excluding credit impaired balances, for the Group's and the Company's trade receivables are as follows:

	Current \$'000	Past due 0 to 1 month \$'000	Past due over 1 to 2 months \$'000	Past due over 2 to 5 months \$'000	Past due over 5 months \$'000	Total \$'000
<b>2020</b>						
<b>Group</b>						
<u>IT business</u>						
Expected loss rate	0 - 4%	0 - 4%	0 - 4%	0 - 4%	0 - 4%	
Gross receivables	87,320	12,936	9,160	8,170	11,500	129,086
Impairment						2,314
<u>PCB business</u>						
Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	231	118	153	126	1	629
Impairment						-
<u>Total</u>						
Gross receivables	87,551	13,054	9,313	8,296	11,501	129,715
Impairment						2,314
<b>Company</b>						
<u>PCB business</u>						
Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	231	118	153	126	1	629
Impairment						-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. Financial instruments, financial risks and capital management (Continued)

### 34.1 Credit risk (Continued)

As at each financial year end, the lifetime expected loss provision, excluding credit impaired balances, for the Group's and the Company's trade receivables are as follows: (Continued)

	Past due 0 to 1 month \$'000	Past due over 1 to 2 months \$'000	Past due over 2 to 5 months \$'000	Past due over 5 months \$'000	Total \$'000
--	---------------------------------------	--	--	---	-----------------

#### 2019

##### Group

##### IT business

Expected loss rate	0 - 4%	0 - 4%	0 - 4%	0 - 4%	0 - 4%	
Gross receivables	81,130	24,484	12,477	13,658	7,842	139,591
Impairment						1,769

##### PCB business

Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	281	87	73	60	-	501
Impairment						-

##### Total

Gross receivables	81,411	24,571	12,550	13,718	7,842	140,092
Impairment						1,769

##### Company

##### PCB business

Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	281	87	73	60	-	501
Impairment						-

For amount due from a subsidiary (Note 12), management has taken into account the available internal information on the subsidiary's past, current and expected operating performance and cash flow position. The management monitors and assesses at each reporting date on any indicator of significant increase in credit risk on the amount due from the subsidiary, by considering their performance ratio and any default in external debts. The risk of default is considered to be minimal as the subsidiary has sufficient liquid assets to repay its debt. Therefore, amount due from a subsidiary has been measured based on 12-month expected credit loss model and subject to insignificant credit loss.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. Financial instruments, financial risks and capital management (Continued)

### 34.1 Credit risk (Continued)

#### Cash and bank balances

The cash and bank balances are held with the financial institutions with the following credit ratings:

	Rating	Group		Rating	Company	
		Bank balance \$'000	Fixed deposits \$'000		Bank balance \$'000	Fixed deposits \$'000
<b>2020</b>						
International banks	AA/A	29,333	47,807	AA/A	527	9,985
Domestic banks	BAA/BBB	508	2		-	-
	Note 15	<u>29,841</u>	<u>47,809</u>		<u>527</u>	<u>9,985</u>
<b>2019</b>						
International banks	AA/A	33,985	25,003	AA/A	275	8,987
Domestic banks	BAA/BBB	584	2		-	-
	Note 15	<u>34,569</u>	<u>25,005</u>		<u>275</u>	<u>8,987</u>

The credit rating above are derived from Moody's and Fitch ratings. The management monitors the credit ratings of counterparties regularly. Impairment of cash and bank balances has been measured based on 12-month expected credit loss model. At the reporting date, the Group and Company did not expect any credit losses from non-performance by the counterparties.

### 34.2 Market risk

#### (i) Foreign exchange risk management

Currency risk arises from transactions denominated in currencies other than the functional currencies of the entities within the Group and the Company. The currencies that give rise to this risk are primarily United States dollar, Singapore dollar and Chinese renminbi.

The Group and the Company monitor their foreign currency exchange risks closely and maintain funds in various currencies to minimise currency exposure due to timing differences between sales and purchases. Currency translation risk arises when commercial transactions, recognised assets and liabilities and net investment in foreign operations are denominated in a currency that is not the entity's functional currency.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. Financial instruments, financial risks and capital management (Continued)

### 34.2 Market risk (Continued)

#### (i) Foreign exchange risk management (Continued)

It is not the Group's and the Company's policy to take speculative positions in foreign currencies. Where appropriate, the Group and the Company enter into foreign currency forward contracts with its principal bankers to mitigate the foreign currency risks (mainly export sales and import purchases).

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period were as follows:

	Assets		Liabilities	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Group</b>				
United States dollar	<b>28,092</b>	31,644	<b>149,924</b>	156,828
Singapore dollar	<b>5,458</b>	8,791	<b>26,214</b>	26,391
Chinese renminbi	<b>11,344</b>	9,094	-	-
Others	<b>5,092</b>	4,896	<b>1,644</b>	1,293
<b>Company</b>				
United States dollar	<b>10,587</b>	12,385	<b>463</b>	905
Chinese renminbi	<b>9,985</b>	8,987	-	-
Others	<b>297</b>	119	<b>21</b>	6

#### Foreign currency sensitivity analysis

The Group's exposure to foreign currency risk are mainly United States dollar, Singapore dollar and Chinese renminbi. The Company's exposure to foreign currency risk is mainly in United States dollar and Chinese renminbi.

The following table details the Group's and Company's sensitivity to a 8% (2019: 3%) change in United States dollar, Singapore dollar and Chinese renminbi against the functional currencies respectively. The sensitivity analysis assumes an instantaneous 8% (2019: 3%) change in the foreign currency exchange rates from the end of the reporting period, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items denominated in United States dollar and Singapore dollar are included in the analysis.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. Financial instruments, financial risks and capital management (Continued)

### 34.2 Market risk (Continued)

(i) Foreign exchange risk management (Continued)

Foreign currency sensitivity analysis (Continued)

	Profit or loss	
	2020 \$'000	2019 \$'000
<b>Group</b>		
<i>United States dollar</i>		
Strengthens against functional currencies*	<b>(9,747)</b>	(3,756)
Weakens against functional currencies*	<b>9,747</b>	3,756
<i>Singapore dollar</i>		
Strengthens against functional currencies#	<b>(1,660)</b>	(528)
Weakens against functional currencies#	<b>1,660</b>	528
<i>Chinese renminbi</i>		
Strengthens against functional currencies^	<b>908</b>	273
Weakens against functional currencies^	<b>(908)</b>	(273)
<b>Company</b>		
<i>United States dollar</i>		
Strengthens against Singapore dollar	<b>810</b>	344
Weakens against Singapore dollar	<b>(810)</b>	(344)
<i>Chinese renminbi</i>		
Strengthens against Singapore dollar	<b>799</b>	270
Weakens against Singapore dollar	<b>(799)</b>	(270)

\* Primarily Singapore dollar and Indian rupee

# Primarily United States dollar

^ Primarily Singapore dollar and United States dollar

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. Financial instruments, financial risks and capital management (Continued)

### 34.2 Market risk (Continued)

#### (ii) Interest rate risk management

The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to bank borrowings as shown in Note 18 to the financial statements.

The Group's and the Company's financial performance are affected by changes in interest rates due to the impact of such changes on interest expenses from bank borrowings which are at floating interest rates. It is the Group's and the Company's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group and the Company.

The Group's and the Company's borrowings at variable rates are denominated in Singapore dollar and United States dollar. If the Singapore dollar interest rates increase or decrease by 1% (2019: 1%) with all other variables including tax rate being held constant, the Group's profit before income tax will decrease or increase by approximately \$33,000 (2019: \$82,000) as a result of higher or lower interest expense on borrowings. If the United States dollar interest rates increase or decrease by 1% (2019: 1%) with all other variables including tax rate being held constant, the Group's profit before income tax will decrease or increase by approximately \$4,000 (2019: \$141,000) as a result of higher or lower interest expense on borrowings.

### 34.3 Liquidity risk

Liquidity risk refers to the risk in which the Group and the Company encounter difficulties in meeting their short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group and the Company actively manage their operating cash flows so as to finance the Group's and the Company's operations. As part of their overall prudent liquidity management, the Group and the Company minimise liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions and maintain sufficient levels of cash to meet their working capital requirement.

#### *Contractual maturity analysis*

The following tables detail the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. Financial instruments, financial risks and capital management (Continued)

### 34.3 Liquidity risk (Continued)

*Contractual maturity analysis (Continued)*

	Within one year \$'000	After one year but within five years \$'000	After five years \$'000	Total \$'000
<b>Group</b>				
<b>2020</b>				
<b>Financial liabilities</b>				
Non-interest bearing				
- Trade and other payables <sup>(1)</sup>	114,195	-	-	114,195
Interest bearing				
- Bank borrowings	4,776	-	-	4,776
- Lease liabilities	1,086	2,090	234	3,410
	<b>5,862</b>	<b>2,090</b>	<b>234</b>	<b>8,186</b>
	<b>120,057</b>	<b>2,090</b>	<b>234</b>	<b>122,381</b>
<b>2019</b>				
<b>Financial liabilities</b>				
Non-interest bearing				
- Trade and other payables <sup>(1)</sup>	101,395	-	-	101,395
Interest bearing				
- Bank borrowings	22,947	418	-	23,365
- Lease liabilities	1,380	2,709	245	4,334
	<b>24,327</b>	<b>3,127</b>	<b>245</b>	<b>27,699</b>
	<b>125,722</b>	<b>3,127</b>	<b>245</b>	<b>129,094</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. Financial instruments, financial risks and capital management (Continued)

### 34.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one year \$'000	After one year but within five years \$'000	Total \$'000
<b>Company</b>			
<b>2020</b>			
<b>Financial liabilities</b>			
Non-interest bearing			
- Trade and other payables <sup>(1)</sup>	3,968	-	3,968
Interest bearing			
- Bank borrowings	3,689	-	3,689
- Lease liabilities	42	70	112
	<b>3,731</b>	<b>70</b>	<b>3,801</b>
	<b>7,699</b>	<b>70</b>	<b>7,769</b>
Financial guarantee contracts	<b>1,081</b>	-	<b>1,081</b>
<b>2019</b>			
<b>Financial liabilities</b>			
Non-interest bearing			
- Trade and other payables <sup>(1)</sup>	2,632	-	2,632
Interest bearing			
- Bank borrowings	8,663	418	9,081
- Lease liabilities	42	112	154
	<b>8,705</b>	<b>530</b>	<b>9,235</b>
	<b>11,337</b>	<b>530</b>	<b>11,867</b>
Financial guarantee contracts	<b>14,268</b>	-	<b>14,268</b>

<sup>(1)</sup> Excludes value added tax and deferred government grants

The disclosed amounts for the financial guarantee contracts represent the maximum amount of issued financial guarantees in the earliest period for which the guarantees could be called upon in the contracted maturity analysis.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. Financial instruments, financial risks and capital management (Continued)

### 34.3 Liquidity risk (Continued)

#### *Contractual maturity analysis (Continued)*

The Group's operations are financed mainly through equity, retained earnings, finance leases and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

### 34.4 Capital management policies and objectives

The Group and the Company manage capital to ensure that the Group and the Company are able to continue as going concern and to maintain an optimal capital structure so as to maximise shareholders' value.

The management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows. The Group's and the Company's overall strategy remains unchanged from 2019.

The management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by equity attributable to owners of the parent plus net debt. The Group and the Company include within net debt, trade and other payables, lease liabilities and bank borrowings less cash and bank balances. Equity attributable to owners of the parent consists of share capital, foreign currency translation account, other reserves and retained earnings.

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade and other payables	117,277	103,684	4,075	2,686
Lease liabilities	2,841	3,510	107	145
Bank borrowings	4,763	23,305	3,682	9,037
Less: Cash and bank balances	(77,650)	(59,574)	(10,512)	(9,262)
Net debt	47,231	70,925	(2,648)	2,606
Equity attributable to owners of the parent	114,526	103,615	43,677	48,631
Total capital	161,757	174,540	41,029	51,237
Gearing ratio (%)	29	41	N/M	5

\*N/M: Not meaningful

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. Financial instruments, financial risks and capital management (Continued)

### 34.4 Capital management policies and objectives (Continued)

The Group and the Company are in compliance with all borrowing covenants, including consolidated net worth, current assets to current liabilities ratio and debt service cover, imposed by the financial institutions for the financial years ended 31 December 2020 and 2019.

As disclosed in Note 22 to the financial statements, certain subsidiaries of the Group are required by the People's Republic of China and Civil and Commercial Code of Thailand to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant authorities. The Group is in compliance with all statutory reserve fund capital requirement for the financial years ended 31 December 2020 and 2019.

### 34.5 Fair value of financial assets and financial liabilities

The carrying amounts of the Group's and the Company's current financial assets and current financial liabilities approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of non-current other receivables and bank borrowings are disclosed in the respective notes to the financial statements.

#### *Financial instruments by category*

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Financial assets</b>				
<i>Fair value through other comprehensive income</i>				
Financial asset, at FVOCI	<b>552</b>	-	-	-
<i>Fair value through profit or loss</i>				
Financial asset, at FVPL	<b>4,384</b>	4,333	<b>4,384</b>	4,333
<i>Amortised cost</i>				
Trade and other receivables <sup>(1)</sup>	<b>125,752</b>	137,830	<b>31,437</b>	31,721
Cash and bank balances	<b>77,650</b>	59,574	<b>10,512</b>	9,262
	<b>203,402</b>	197,404	<b>41,949</b>	40,983



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. Financial instruments, financial risks and capital management (Continued)

### 34.5 Fair value of financial assets and financial liabilities (Continued)

*Financial instruments by category (Continued)*

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Financial liabilities</b>				
<i>Amortised cost</i>				
Trade and other payables <sup>(2)</sup>	<b>114,195</b>	101,395	<b>3,968</b>	2,632
Bank borrowings	<b>4,763</b>	23,305	<b>3,682</b>	9,037
Lease liabilities	<b>2,841</b>	3,510	<b>107</b>	145
	<b>121,799</b>	128,210	<b>7,757</b>	11,814

<sup>(1)</sup> Excludes value added tax

<sup>(2)</sup> Excludes value added tax and deferred government grants

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and other financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

#### *Fair value hierarchy*

The Group and the Company classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The table below analyses financial instruments carried at fair value by the valuation method. The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. Financial instruments, financial risks and capital management (Continued)

### 34.5 Fair value of financial assets and financial liabilities (Continued)

#### *Fair value hierarchy (Continued)*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Group</b>				
<b>2020</b>				
<b>Financial assets</b>				
Financial asset, at FVOCI	552	-	-	552
Financial asset, at FVPL	-	-	4,384	4,384
<b>2019</b>				
<b>Financial assets</b>				
Financial asset, at FVPL	-	-	4,333	4,333
<b>Company</b>				
<b>2020</b>				
<b>Financial assets</b>				
Financial asset, at FVPL	-	-	4,384	4,384
<b>2019</b>				
<b>Financial assets</b>				
Financial asset, at FVPL	-	-	4,333	4,333

There were no transfers between Levels 1 and 2 during the financial year.

The financial instruments included in Level 1 are traded in active markets and their fair values are based on quoted market prices at the reporting date.

The fair value measurements categorised within Level 3 for financial asset, at FVPL includes unobservable inputs that are not developed by the Group and the Company.

The fair value of the financial asset, at FVPL is based on the cash value provided by the insurer without adjustment.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 35. Events after the reporting period

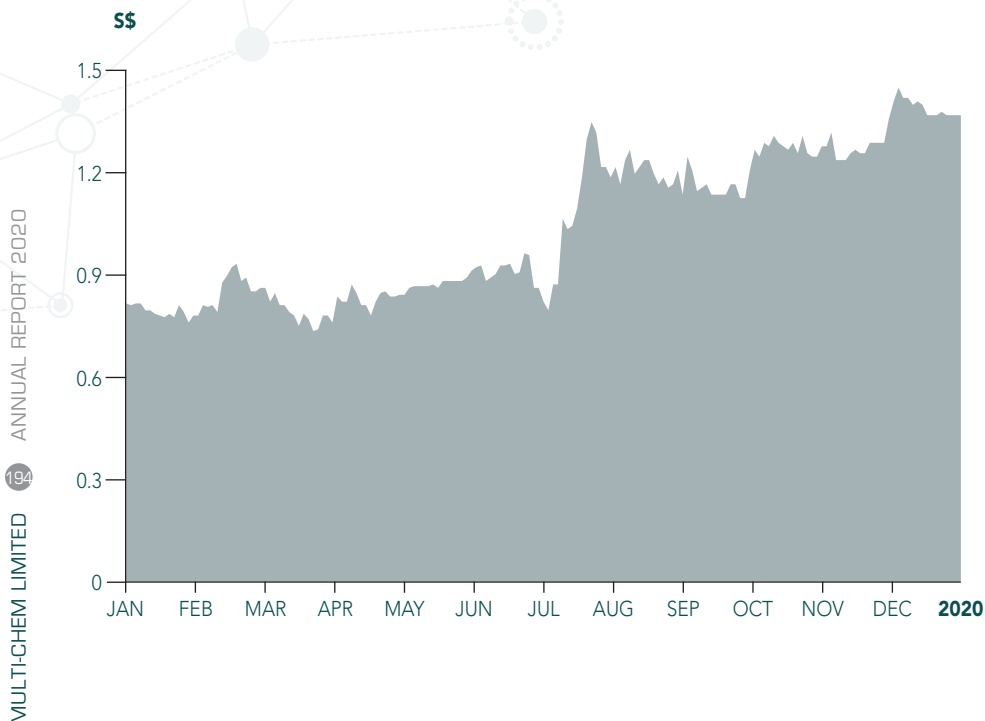
The near term outlook in the IT business is dependent on events such as political or economic in nature and such events could affect business in certain markets. With the current global COVID-19 pandemic, the global economic outlook remains uncertain which in turn will affect the Group's business. However,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



# ADDITIONAL INFORMATION FOR SHAREHOLDERS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## Share Price Chart



	In 2020			As at 10 March 2021
	Highest	Lowest	Average	
Share Price (S\$)	1.430	0.725	1.026	1.36
Share Volume	307,000	0	24,000	3,000

# STATISTICS OF SHAREHOLDERS

AS AT 10 MARCH 2021

## ANALYSIS OF SHAREHOLDINGS AS AT 10 MARCH 2021

Total number of issued shares excluding treasury shares and subsidiary holdings	-	90,095,268
Number of treasury shares held	-	NIL
Number of subsidiary holdings held	-	NIL
Class of Shares	-	Ordinary shares
Voting Rights	-	One Vote per share

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 – 99	131	2.69	6,993	0.01
100 – 1,000	3,516	72.06	1,625,271	1.80
1,001 – 10,000	996	20.41	3,241,986	3.60
10,001 – 1,000,000	232	4.76	11,000,406	12.21
1,000,001 and above	4	0.08	74,220,612	82.38
<b>TOTAL</b>	<b>4,879</b>	<b>100.00</b>	<b>90,095,268</b>	<b>100.00</b>

## LIST OF TWENTY LARGEST SHAREHOLDERS AS AT 10 MARCH 2021

(as shown in the Register of Members)

No.	Name of Shareholder	No. of Shares	% of Shareholdings
1	FOO SUAN SAI	36,655,425	40.69
2	HAN JUAT HOON	25,112,625	27.87
3	CITIBANK NOMINEES SINGAPORE PTE LTD	11,158,350	12.39
4	DBS NOMINEES PTE LTD	1,294,212	1.44
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	601,675	0.67
6	MAYBANK KIM ENG SECURITIES PTE LTD	470,925	0.52
7	MOH TSER LOONG ALVIN	355,100	0.40
8	IAN HAROLD HOLLAND	310,000	0.34
9	ABN AMRO CLEARING BANK N.V.	298,900	0.33
10	HSBC (SINGAPORE) NOMINEES PTE LTD	256,800	0.29
11	PHILLIP SECURITIES PTE LTD	243,450	0.27
12	OCBC NOMINEES SINGAPORE PTE LTD	237,900	0.26
13	ENG KOON HOCK	228,000	0.25
14	NEO THUA TEE	226,250	0.25
15	LEE PUAY CHIN	216,000	0.24
16	FOO CHIK HEE @ FOO CHIK ENG	189,500	0.21
17	DBS VICKERS SECURITIES (S) PTE LTD	184,675	0.20
18	CHONG SIEW LEE MICHELE (ZHANG SHULI MICHELE)	180,000	0.20
19	QUEK KOK KWANG (GUO GUO GUANG)	172,000	0.19
20	HARRY HALIM @ LIM ENG LIAN	144,250	0.16
<b>TOTAL</b>		<b>78,536,037</b>	<b>87.17</b>

# SUBSTANTIAL SHAREHOLDERS

AS AT 10 MARCH 2021

(as shown in the Register of Substantial Shareholders)

No.	Name of Shareholder	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1.	Foo Suan Sai <sup>(1)</sup>	36,655,425	40.685	25,345,125	28.131
2.	Han Juat Hoon <sup>(1)</sup>	25,345,125 <sup>(2)</sup>	28.131	36,655,425	40.685
3.	Yaowalak Phoowarachai	10,668,000 <sup>(3)</sup>	11.841	-	-

Notes :

- <sup>(1)</sup> Mr Foo Suan Sai and Mdm Han Juat Hoon are husband and wife and they are each deemed to be interested in the shares held by the other.
- <sup>(2)</sup> Mdm Han Juat Hoon has direct interest in the 232,500 ordinary shares registered in the name of United Overseas Bank Nominees Pte Ltd.
- <sup>(3)</sup> Mdm Yaowalak Phoowarachai has direct interest in the 10,668,000 ordinary shares registered in the name of Citibank Nominees Singapore Pte Ltd.

## COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

As at 10 March 2021, based on the registers of shareholders and to the best knowledge of the Company, the percentage of shareholding held in the hands of the public is 18.83%. The Company is therefore in compliance with Rule 723 of the SGX-ST Listing Manual.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held by electronic means on Thursday, 29 April 2021 at 11.30 a.m. for the purpose of transacting the following businesses:

## As Ordinary Business

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mdm Han Juat Hoon who is retiring by rotation pursuant to Regulation 106 of the Constitution of the Company. (See Explanatory Note 1) **(Resolution 2)**

3. To re-elect Mr Wong Meng Yeng who is retiring by rotation pursuant to Regulation 106 of the Constitution of the Company. (See Explanatory Note 1) **(Resolution 3)**

Mr Wong Meng Yeng will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee, and a member of the Audit and Risk Management Committee and Remuneration Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To re-elect Mr Lim Keng Jin who is retiring by rotation pursuant to Regulation 106 of the Constitution of the Company. (See Explanatory Note 1) **(Resolution 4)**

Mr Lim Keng Jin will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee, and a member of the Audit and Risk Management Committee and Nominating Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

5. To re-elect Mr Neo Mok Choon who is retiring by rotation pursuant to Regulation 106 of the Constitution of the Company. (See Explanatory Note 1) **(Resolution 5)**

Mr Neo Mok Choon will, upon re-election as a Director of the Company, remain as Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee and Nominating Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

6. To approve a final tax exempt (one-tier) dividend of SGD0.066 per ordinary share for the financial year ended 31 December 2020. **(Resolution 6)**

7. To approve the payment of Directors' fees of SGD 219,312.50 for the financial year ended 31 December 2020. **(Resolution 7)**

8. To re-appoint Messrs BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

9. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

# NOTICE OF ANNUAL GENERAL MEETING

## As Special Business

To consider and, if thought fit, to pass the following as Ordinary Resolution, with or without modifications:

10. Authority to issue shares

**(Resolution 9)**

“That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors of the Company to:-

- (a) (i) issue shares in the capital of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:
  - (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the Company’s total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the Company’s total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below).



# NOTICE OF ANNUAL GENERAL MEETING

- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:
- (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards; and
  - (ii) any subsequent bonus issue, consolidation or subdivision of shares;

Adjustments in accordance with (i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this resolution.

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." (See Explanatory Note 2)

11. **Continued appointment of Mr Wong Meng Yeng as an Independent Director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST by all shareholders (which will take effect from 1 January 2022)** (Resolution 10)

That, contingent upon the passing of Resolution 3 by shareholders and Resolution 11 by shareholders (excluding the Directors, Chief Executive Officer ("CEO") of the Company and their associates) and in accordance with Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) :

- a) the continued appointment of Mr Wong Meng Yeng, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved by all shareholders; and
- b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Wong Meng Yeng as a Director; or (ii) the conclusion of the third Annual General Meeting of the Company following the passing of this Resolution. (See Explanatory Note 3)

# NOTICE OF ANNUAL GENERAL MEETING

12. **Continued appointment of Mr Wong Meng Yeng as an Independent Director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST by shareholders, excluding the Directors and the Chief Executive Officer (“CEO”) of the Company, and their associates (which will take effect from 1 January 2022) (Resolution 11)**

That, contingent upon the passing of Resolution 3 and Resolution 10 by shareholders and in accordance with Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) :

- a) the continued appointment of Mr Wong Meng Yeng, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved by shareholders, excluding the Directors, CEO of the Company and their associates (as defined in the Listing Manual of the SGX-ST); and
- b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Wong Meng Yeng as a Director; or (ii) the conclusion of the third Annual General Meeting of the Company following the passing of this Resolution,

provided that this Resolution shall only be proposed and voted upon if Resolution 10 is passed by shareholders of the Company at the Annual General Meeting. (See Explanatory Note 3)

**Note:** Mr Wong Meng Yeng will, upon re-election as an Independent Director of the Company, remain as Chairman of the Nominating Committee, and a member of the Audit and Risk Management Committee and Remuneration Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

13. **Continued appointment of Mr Lim Keng Jin as an Independent Director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST by all shareholders (which will take effect from 1 January 2022) (Resolution 12)**

That, contingent upon the passing of Resolution 4 by shareholders and Resolution 13 by shareholders (excluding the Directors, Chief Executive Officer (“CEO”) of the Company and their associates) and in accordance with Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) :

- a) the continued appointment of Mr Lim Keng Jin, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved by all shareholders; and
- b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Lim Keng Jin as a Director; or (ii) the conclusion of the third Annual General Meeting of the Company following the passing of this Resolution. (See Explanatory Note 3)

# NOTICE OF ANNUAL GENERAL MEETING

14. **Continued appointment of Mr Lim Keng Jin as an Independent Director (Resolution 13) for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST by shareholders, excluding the Directors and the Chief Executive Officer (“CEO”) of the Company, and their associates (which will take effect from 1 January 2022)**

That, contingent upon the passing of Resolution 4 and Resolution 12 by shareholders and in accordance with Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) :

- a) the continued appointment of Mr Lim Keng Jin, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved by shareholders, excluding the Directors, CEO of the Company and their associates (as defined in the Listing Manual of the SGX-ST); and
- b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Lim Keng Jin as a Director; or (ii) the conclusion of the third Annual General Meeting of the Company following the passing of this Resolution,

provided that this Resolution shall only be proposed and voted upon if Resolution 12 is passed by shareholders of the Company at the Annual General Meeting. (See Explanatory Note 3)

**Note:** Mr Lim Keng Jin will, upon re-election as an Independent Director of the Company, remain as Chairman of the Remuneration Committee, and a member of the Audit and Risk Management Committee and Nominating Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

# NOTICE OF ANNUAL GENERAL MEETING

15. **Continued appointment of Mr Neo Mok Choon as an Independent Director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST by all shareholders (which will take effect from 1 January 2022)** (Resolution 14)

That, contingent upon the passing of Resolution 5 by shareholders and Resolution 15 by shareholders (excluding the Directors, Chief Executive Officer (“CEO”) of the Company and their associates) and in accordance with Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) :

- a) the continued appointment of Mr Neo Mok Choon, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved by all shareholders; and
- b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Neo Mok Choon as a Director; or (ii) the conclusion of the third Annual General Meeting of the Company following the passing of this Resolution. (See Explanatory Note 3)

16. **Continued appointment of Mr Neo Mok Choon as an Independent Director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST by shareholders, excluding the Directors and the Chief Executive Officer (“CEO”) of the Company, and their associates (which will take effect from 1 January 2022)** (Resolution 15)

That, contingent upon the passing of Resolution 5 and Resolution 14 by shareholders and in accordance with Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) :

- a) the continued appointment of Mr Neo Mok Choon, as an Independent Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved by shareholders, excluding the Directors, CEO of the Company and their associates (as defined in the Listing Manual of the SGX-ST); and
- b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Neo Mok Choon as a Director; or (ii) the conclusion of the third Annual General Meeting of the Company following the passing of this Resolution,

provided that this Resolution shall only be proposed and voted upon if Resolution 14 is passed by shareholders of the Company at the Annual General Meeting. (See Explanatory Note 3)

**Note:** Mr Neo Mok Choon will, upon re-election as an Independent Director of the Company, remain as Chairman of the Audit and Risk Management Committee, and a member of the Nominating Committee and Remuneration Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of SGX-ST.

# NOTICE OF ANNUAL GENERAL MEETING

BY ORDER OF THE BOARD

Chan Lai Yin  
Company Secretary  
Singapore, 7 April 2021

## Explanatory Notes on Businesses to be Transacted

1. The detailed information of Mdm Han Juat Hoon, Mr Wong Meng Yeng, Mr Lim Keng Jin and Mr Neo Mok Choon can be found under Directors' Profile section of the Company's Annual Report and Additional information on Directors seeking re-election.
2. The Ordinary Resolution no. 9 proposed in item 10 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The aggregate number of shares (including any shares issued pursuant to the convertible securities) which the Directors may allot and issue under this Resolution will not exceed fifty per cent. (50%) of the Company's total number of issued shares excluding treasury shares and subsidiary holdings of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued will not exceed twenty per cent. (20%) of Company's total number of issued shares excluding treasury shares and subsidiary holdings of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue shares pursuant to any Instrument made or granted under this authority.
3. The proposed Ordinary Resolutions 10 to 15 are proposed in anticipation of Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022.

With effect from 1 January 2022, Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST provides that a Director will not be independent if he has been a Director for an aggregate period of more than nine years and his continued appointment as an Independent Director has not been sought and approved in separate resolutions by (a) all shareholders; and (b) shareholders excluding the Directors and Chief Executive Officer of the Company, and their associates.

Each Mr Wong Meng Yeng, Mr Lim Keng Jin and Mr Neo Mok Choon is an Independent Director who has served for more than nine years from date of appointment as Director, when Rule 210(5)(d)(iii) takes effect from 1 January 2022.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Such refreshment process of the Board will take some time and cannot happen overnight in order to maintain stability to the Board. Furthermore, the Company benefits from such director who has, over time, gained valuable insights into the Group, its market and the industry.

The Nominating Committee and the Board have determined that Mr Wong Meng Yeng, Mr Lim Keng Jin and Mr Neo Mok Choon remain objective and independent-minded in Board deliberations. Their vast experience enables them to provide the Board and the various Board Committees on which he serves, with pertinent experience and competence to facilitate sound decision-making and that their length of service do not in any way interfere with their exercise of independent judgement nor hinder their ability to act in the best interest of the Company. Additionally, they fulfil the definition of Independent Directors of the SGX-ST Listing Rules and the 2018 Code. More importantly, the Board trusts that they are able to continue to discharge their duties independently with integrity and competency.

If any of the resolution for continued appointment of Mr Wong Meng Yeng, Mr Lim Keng Jin and Mr Neo Mok Choon respectively as an Independent Director of the Company under Ordinary Resolutions 10 to 15 is not passed, each Mr Wong Meng Yeng, Mr Lim Keng Jin and Mr Neo Mok Choon will be designated as Non-Independent Director when Rule 210(5)(d)(iii) takes effect from 1 January 2022. The Company will endeavor to appoint new Independent Directors to comply with the requirements of Listing Manual of the SGX-ST.

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:

- i. The Annual General Meeting of the Company (“AGM”) is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the Company’s website at the URL [www.multichem.com.sg](http://www.multichem.com.sg). This Notice will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
- ii. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by shareholders can participate at the AGM by observing and/or listening to the proceedings of the AGM through either live audio-visual webcast or live audio-only stream (“electronic means”), submission of questions in advance of the AGM, addressing of substantial and relevant questions, are set out in the Company’s announcement on 6 April 2021 (the “**Announcement**”), which has been uploaded together with this Notice of AGM on SGXNet on the same day. The Announcement may also be accessed on the Company’s website [www.multichem.com.sg](http://www.multichem.com.sg). For the avoidance of doubt, the aforesaid section forms part of this Notice of AGM.
- iii. Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person. A member of the Company (whether individual or corporate and including a Relevant Intermediary\*) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM, if such member wishes to exercise his/her/its voting rights at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate and including a Relevant Intermediary\*) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
- iv. The Chairman of the AGM, as proxy, need not be a member of the Company.
- v. In the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM (i.e. by 11.30 a.m. on 26 April 2021), as certified by The Central Depository (Pte) Limited to the Company.
- vi. An investor who holds shares under the Supplementary Retirement Scheme (“**SRS Investor**”) who wishes to vote at the AGM should approach their respective agent banks to submit their votes at least seven (7) working days before the date of the AGM (i.e. by 11.30 a.m. on 19 April 2021). SRS Investors are requested to contact their respective agent banks for any queries they may have with regard to the appointment of the Chairman of the AGM as proxy for the AGM.
- vii. The instrument appointing the Chairman of the AGM as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a duly certified copy thereof, must:
  - (a) be deposited at the registered office of the Company at 18 Boon Lay Way #05-113, Tradehub 21, Singapore 609966; or
  - (b) be sent via electronic mail to [finance@multichem.com.sg](mailto:finance@multichem.com.sg) enclosing signed PDF copy of the Proxy Form;not less than seventy-two (72) hours before the time set for the AGM.

\* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

# NOTICE OF ANNUAL GENERAL MEETING

## RECORD DATE

Subject to shareholders' approval to the proposed final dividend at the forthcoming Annual General Meeting, the Share Transfer Books and Register of Members of the Company will be closed on 3 June 2021 for preparation of dividend warrants to a final tax exempt (one-tier) dividend of 6.6 cents per Ordinary Share for the financial year ended 31 December 2020 (the "Proposed Final Dividend").

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902 by 5.00 p.m. on 2 June 2021 ("Record Date") will be registered to determine Members' entitlements to the Proposed Final Dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares of the Company as at 5.00 p.m. on the Record Date will be entitled to the Proposed Final Dividend.

The Proposed Final Dividend, if approved at the forthcoming Annual General Meeting, will be paid on 11 June 2021.

## PERSONAL DATA PRIVACY

By (a) submitting an instrument appointing the Chairman of the Annual General Meeting as proxy to vote at the Annual General Meeting and/or any adjournment thereof, and/or (b) by registering to attend the AGM via electronic means, and/ or (c) submitting any question prior to the AGM in accordance with this Notice of AGM, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) the processing and administration by the Company (or its agents or service providers) of proxy forms appointing the "Chairman of the Annual General Meeting" as proxy for the AGM (including any adjournment thereof);
- (ii) processing the pre-registration forms for purposes of granting access to members (or their corporate representatives in the case of members who are legal entities) to view the live webcast of the AGM proceedings and providing viewers with any technical assistance, where necessary;
- (iii) addressing selected questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions;
- (iv) the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The following directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 April 2021 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**"):

1. Mdm Han Juat Hoon;
2. Mr Wong Meng Yeng;
3. Mr Lim Keng Jin; and
4. Mr Neo Mok Choon.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

MDM HAN JUAT HOON	
Date of Appointment	16 May 1987
Date of last re-appointment	26 April 2018
Age	64
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee (" <b>NC</b> ") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mdm Han Juat Hoon for re-appointment as Executive Director of the Company. The Board have reviewed and concluded that Mdm Han Juat Hoon possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive  Mdm Han Juat Hoon is responsible for the overall operations of the Group.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chief Operating Officer
Professional qualifications	Diploma in Chemical Process Technology from the Singapore Polytechnic and a Diploma in Management Studies from the Singapore Institute of Management.
Working experience and occupation(s) during the past 10 years	Executive Director since 1987.
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 25,345,125 ordinary shares Deemed interest: 36,655,425 ordinary shares



# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

## MDM HAN JUAT HOON

Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries

Mdm Han Juat Hoon is the wife of Mr Foo Suan Sai, Executive Director and Chief Executive Officer of the Company and mother of Mr Foo Fang Yong, Executive Director of the Company.

Conflict of Interest (including any competing business)

No

Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer

Yes

Other Principal Commitments\* Including Directorships#

Past (for the last 5 years)

None

Present

Multi-Chem Group of Companies

**Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.**

a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?

No

b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?

No

c) Whether there is any unsatisfied judgment against him?

No

d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?

No

e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?

No

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

## MDM HAN JUAT HOON

- f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? No
- g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? No
- h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? No
- i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? No
- j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– No
- i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
  - ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or
  - iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
  - iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere
- in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?
- k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? No

### Disclosure applicable to the appointment of Director only

Any prior experience as a director of a listed company? Not applicable

If yes, please provide details of prior experience.

If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

## MR WONG MENG YENG

Date of Appointment	5 January 2000
Date of last re-appointment	26 April 2018
Age	63
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee (" <b>NC</b> ") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Wong Meng Yeng for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Wong Meng Yeng possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of the Nominating Committee, member of the Audit and Risk Management Committee and Remuneration Committee.
Professional qualifications	Bachelor of Law (Hons) degree from the National University of Singapore
Working experience and occupation(s) during the past 10 years	Director of Alliance LLC
Shareholding interest in the listed issuer and its subsidiaries	Direct interest : 8,500 ordinary shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

## MR WONG MENG YENG

Other Principal Commitments\* Including Directorships#

Past (for the last 5 years)

KS Energy Limited (Retired on 27 April 2017)  
Keong Hong Holdings Limited (Retired on 21 January 2020)

Present

Baker Technology Limited

**Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.**

a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? No

b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? No

c) Whether there is any unsatisfied judgment against him? No

d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? No

e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? No

f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? No

g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? No

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

## MR WONG MENG YENG

- h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? No
- i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? No
- j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:— No
- i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
  - ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or
  - iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
  - iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere
- in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?
- k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? No

### Disclosure applicable to the appointment of Director only

Any prior experience as a director of a listed company? Not applicable

If yes, please provide details of prior experience.

If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

## MR LIM KENG JIN

Date of Appointment	29 April 2005
Date of last re-appointment	29 April 2019
Age	86
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Lim Keng Jin for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Lim Keng Jin possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of the Board and Remuneration Committee and member of the Audit and Risk Management Committee and Nominating Committee.
Professional qualifications	Fellow member of the Institute of Chartered Accountants of England and Wales.
Working experience and occupation(s) during the past 10 years	Dealer Representative of CGS-CIMB Securities (Singapore) Pte. Ltd.
Shareholding interest in the listed issuer and its subsidiaries	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

## MR LIM KENG JIN

Other Principal Commitments\* Including Directorships#

Past (for the last 5 years)

G.K. Goh Holdings Limited (retired on 25 April 2016)

Present

None

**Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.**

- |  |    |
|--|----|
| a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?   | No |
| b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No |
| c) Whether there is any unsatisfied judgment against him?  | No |
| d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?  | No |
| e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?  | No |
| f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?  | No |
| g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?   | No |
| h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?  | No |

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

## MR LIM KENG JIN

- i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? No
- j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:— No
- i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
  - ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or
  - iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
  - iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere
- in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?
- k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? No

### **Disclosure applicable to the appointment of Director only**

Any prior experience as a director of a listed company? Not applicable

If yes, please provide details of prior experience.

If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).



# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

## MR NEO MOK CHOON

Date of Appointment	1 August 2012
Date of last re-appointment	26 June 2020
Age	60
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee (" <b>NC</b> ") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Neo Mok Choon for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Neo Mok Choon possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of the Audit and Risk Management Committee, member of the Remuneration Committee and Nominating Committee.
Professional qualifications	Bachelor of Engineering (Chemical) degree from National University of Singapore.
Working experience and occupation(s) during the past 10 years	VP Operations, Asia Pacific Bredero Shaw (Singapore) Pte. Ltd. from August 2007 to April 2015.
Shareholding interest in the listed issuer and its subsidiaries	Deemed interest: 372,500 ordinary shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

## MR NEO MOK CHOON

Other Principal Commitments\* Including Directorships#

Past (for the last 5 years)

VP Operations, in Bredero Shaw (Singapore) Pte. Ltd. (retired in April 2015)

Present

None

**Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.**

- |  |    |
|--|----|
| a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?   | No |
| b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No |
| c) Whether there is any unsatisfied judgment against him?  | No |
| d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?  | No |
| e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?  | No |
| f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?  | No |
| g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?   | No |
| h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?  | No |

# DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

## MR NEO MOK CHOON

- i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? No
- j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- No
- i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
  - ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or
  - iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
  - iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere

in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?

- k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? No

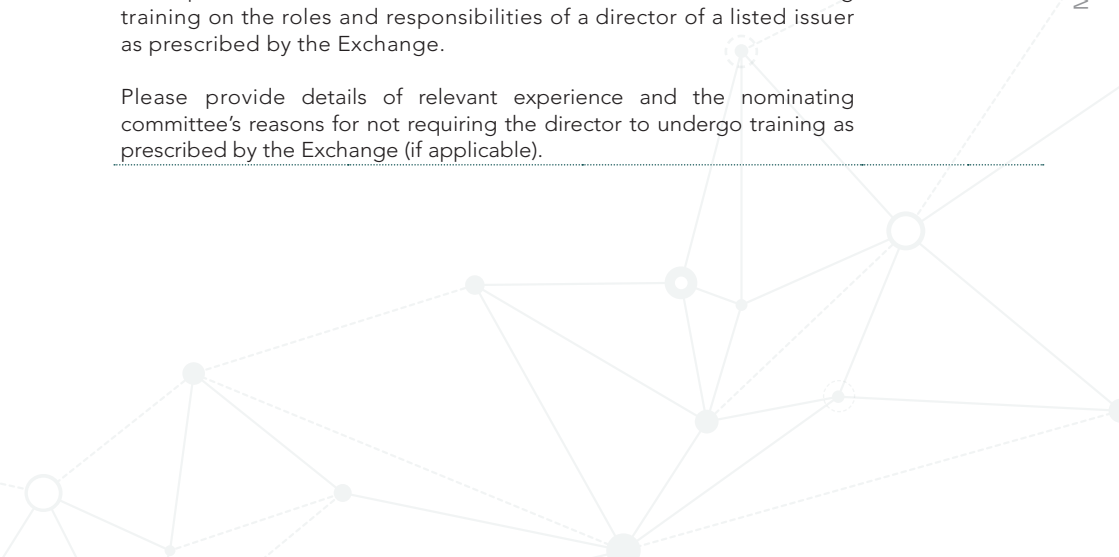
### **Disclosure applicable to the appointment of Director only**

Any prior experience as a director of a listed company? Not applicable

If yes, please provide details of prior experience.

If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).



This page has been intentionally left blank.

## MULTI-CHEM LIMITED

(Company Registration No.: 198500318Z)

(Incorporated in Singapore)

### PROXY FORM

#### IMPORTANT:

1. The Annual General Meeting of the Company ("AGM") will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM, are set out in the accompanying Company's announcement on 6 April 2021 (the "Announcement"), which has been uploaded together with the Notice of AGM dated 7 April 2021 on SGXNet on the same day. The Announcement may also be accessed at the Company's corporate website at [www.multichem.com.sg](http://www.multichem.com.sg). For the avoidance of doubt, the Announcement forms part of the Notice of AGM dated 7 April 2021 in respect of the AGM.
3. A member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate and including a Relevant Intermediary\*) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate and including a Relevant Intermediary\*) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
4. SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their SRS Operators to submit their votes by 11.30 a.m. on 19 April 2021.

By submitting an instrument appointing the Chairman of the AGM as proxy, the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 7 April 2021.

\*I/We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport No.)

of \_\_\_\_\_ (Address)

being \*a member/members of Multi-Chem Limited (the "Company"), hereby appoint the Chairman of the Annual General Meeting as \*my/our \*proxy/proxies to attend and to vote for \*me/us on my/our behalf at the Annual General Meeting (the "AGM") of the Company to be held by electronic means on Thursday, 29 April 2021 at 11.30 a.m. and at any adjournment thereof.

\*I/We direct \*my/our \*proxy/proxies to vote for or against or abstain from voting on the Ordinary Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, this Proxy Form shall be disregarded and the proxy shall abstain from voting on any matter arising at the AGM and at any adjournment thereof.

No.	Ordinary Resolutions	No. of Votes For**	No. of Votes Against**	No. of Votes Abstain**
1.	To receive and adopt the Audited Financial Statements together with the Directors' Statement and Auditors' Report for the financial year ended 31 December 2020.			
2.	To re-elect Mdm Han Juat Hoon as Director.			
3.	To re-elect Mr Wong Meng Yeng as Director.			
4.	To re-elect Mr Lim Keng Jin as Director.			
5.	To re-elect Mr Neo Mok Choon as Director.			
6.	To approve a final tax exempt (one-tier) dividend.			
7.	To approve the payment of Directors' fees.			
8.	To re-appoint Messrs BDO LLP as Auditors and to authorise the Directors to fix their remuneration.			
9.	To authorise Directors to issue shares.			
10.	To approve the continued appointment of Mr Wong Meng Yeng as an Independent Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022).			

No.	Ordinary Resolutions	No. of Votes For**	No. of Votes Against**	No. of Votes Abstain**
11.	To approve the continued appointment of Mr Wong Meng Yeng as an Independent Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022).			
12.	To approve the continued appointment of Mr Lim Keng Jin as an Independent Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022).			
13.	To approve the continued appointment of Mr Lim Keng Jin as an Independent Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022).			
14.	To approve the continued appointment of Mr Neo Mok Choon as an Independent Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022).			
15.	To approve the continued appointment of Mr Neo Mok Choon as an Independent Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022).			

Notes:

\* Delete accordingly

\*\* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick "X" in the relevant box provided. Alternatively, please indicate the number of votes "For" or "Against" each resolution. If you mark "X" in the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2021

**Total Number of Shares Held**

--

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal

**IMPORTANT.** Please read notes overleaf

**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person and must appoint the Chairman of the AGM as proxy to attend, speak and vote on the member's behalf at the AGM and at any adjournment thereof. A member will also not be able to vote online on the resolutions to be tabled for approval at the AGM. If a member (whether individual or corporate and including a Relevant Intermediary\*) wishes to exercise his/her/its votes, he/she/it must submit this Proxy Form to appoint the Chairman of the AGM to vote on his/her/its behalf. A member (whether individual or corporate including a Relevant Intermediary\*) appointing the Chairman of the AGM as proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in this Proxy Form, failing which the appointment will be treated as invalid.
3. SRS Investors who wish to vote at the AGM should approach their respective agent banks to submit their votes at least seven (7) working days before the date of the AGM (i.e. by 11.30 a.m. on 19 April 2021). SRS Investors should not directly appoint the Chairman as proxy to direct the vote.
4. Relevant Intermediaries shall also appoint the Chairman of the AGM to act as proxy and direct the vote at the AGM. Together with the instrument appointing a proxy, the Relevant Intermediaries shall provide to the Company a list of attendees who would like to participate at the AGM by observing and/or listening to the proceedings of the AGM through either live audio-visual webcast or live audio-only stream with such information that may be requested by the Company.  
  
\* A Relevant Intermediary is:
  - (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. The Chairman of the AGM, as proxy, need not be a member of the Company.
6. The instrument appointing the Chairman of the AGM as proxy must be deposited at the registered office of the Company at 18 Boon Lay Way #05-113, Tradehub 21, Singapore 609966 or send electronic mail to [finance@multichem.com.sg](mailto:finance@multichem.com.sg) enclosing signed PDF copy of the Proxy Form not less than seventy-two (72) hours before the time appointed for the meeting.
7. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorized officer.
8. Where an instrument appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
9. A corporation that is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore.
10. The Company shall be entitled to reject an instrument appointing the Chairman of the AGM as proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument appointing the Chairman of the AGM as proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at seventy two (72) hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.
11. By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 7 April 2021.

---

FOLD ALONG THIS LINE

**AFFIX  
STAMP**

**The Company Secretary**  
**MULTI-CHEM LIMITED**  
18 Boon Lay Way #05-113  
Tradehub 21  
Singapore 609966

---

FOLD ALONG THIS LINE



This page has been intentionally left blank.

This page has been intentionally left blank.





**MultiChem**

*The Hole Solution Provider*

Multi-Chem Limited

*Company's Registration No. 198500318Z*

18 Boon Lay Way  
#05-113, Tradehub 21  
Singapore 609966  
Tel: (65) 6863 1318  
Fax: (65) 6863 1618

[www.multichem.com.sg](http://www.multichem.com.sg)

**M.TECH**  
Your Preferred I-Security Partner