APPENDIX DATED 30 MARCH 2020

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt about the contents of this Appendix or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

This Appendix is circulated to Shareholders of Megachem Limited (the "**Company**") together with the Company's Annual Report. Its purpose is to explain to Shareholders the rationale and provide information relating to the renewal of the IPT Mandate (as defined herein) to be tabled at the Annual General Meeting to be held on 14 April 2020 at 10:00 a.m. at 11 Tuas Link 1 Singapore 638588 (the "**Annual General Meeting**").

If you have sold or transferred all your shares in the capital of the Company held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Appendix to the purchaser or transferee as arrangements will be made by CDP for a separate Appendix to be sent to the purchaser or transferee. If you have sold or transferred all your shares represented by physical share certificate(s), you should immediately hand this Appendix together with the enclosed proxy form to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report 2019.

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

This Appendix has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this Appendix, including the accuracy of any of the statements or opinions made or reports contained in this Appendix.

The contact person for the Sponsor is Ms Tay Sim Yee, (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.



MEGACHEM LIMITED

(Company Registration No. 198803293M)
(Incorporated in the Republic of Singapore)

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING DATED 30 MARCH 2020 IN RELATION TO THE PROPOSED RENEWAL OF THE INTERESTED PERSON TRANSACTIONS MANDATE

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DEFINITIONS

In this Appendix, the following definitions apply throughout except where the context otherwise requires:

"AGM"	:	The annual general meeting of the Company.
"Appendix"	:	This appendix dated 30 March 2020.
"Associated Company"	:	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group.
"Audit Committee"	:	The Audit Committee of the Company for the time being. As at the date of this Appendix, the Audit Committee comprises Mr Chan Kam Loon, Mr Lee Bon Leong and Dr Tay Kin Bee.
"Board" or "Board of Directors"	:	The Board of Directors of the Company for the time being. As at the date of this Appendix, the Board of Directors comprises Mr Lee Bon Leong, Mr Sidney Chew Choon Tee, Mr Jeffrey Tan Bock Chia, Mr Chan Kam Loon, Dr Tay Kin Bee and Mr Tatsuyuki Sakoda.
"Catalist Rules"	:	SGX-ST Listing Manual Section B: Rules of Catalist.
"CDP"	:	The Central Depository (Pte) Limited
"Companies Act"	:	Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time.
"Company"	:	Megachem Limited
"Constitution"	:	The Constitution of the Company as amended, supplemented or modified from time to time.
"Controlling Shareholder"	:	A person who: (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over the Company.
"Country Managers"	:	Each of the managers who oversees the operation of an entity of the Group from time to time for the purpose of approving an IPT.
"EGM"	:	The extraordinary general meeting of the Company.
"Entities at Risk"	:	For purposes of the proposed renewal of the IPT Mandate, an "Entity at Risk" means: (a) the Company; (b) a subsidiary of the Company that is not listed on SGX-ST or an approved exchange; or (c) an associated company of the Company that is not listed on the SGX-ST or an approved exchange, provided that the Group, or the Group and its interested person(s), has or have control over the associated company.

"Executive Directors"	:	The executive directors of the Company from time to time for the purpose of approving an IPT.
"FY"	:	Financial year ending or ended 31 December, as the case may be.
"Group"	:	The Company, its subsidiaries and (where applicable) its associated companies.
"Group Purchasing Manager"	:	A manager who oversees the purchasing function of the Group.
"**Interested Person**"	:	Means, (a) a Director, Chief Executive Officer, or Controlling Shareholder of the Company; or (b) an associate of any such Director, Chief Executive Officer or Controlling Shareholder. For the purposes of the IPT Mandate, means Chori Co., Ltd, a Controlling Shareholder of the Company and the current and future associates of Chori Co., Ltd, as set out in section 2.4 of this Appendix.
"Independent Directors"	:	The Directors who are deemed independent for the purposes of the IPT Mandate, namely Mr Sidney Chew Choon Tee, Mr Jeffrey Tan Bock Chia, Mr Chan Kam Loon, Mr Lee Bon Leong and Dr Tay Kin Bee, as set out in section 6.1 of this Appendix.
"IPT"	:	Has the meaning ascribed to it in section 2.5 of this Appendix.
"IPT Mandate"	:	The Shareholders' mandate for IPTs pursuant to Rule 920 of the Catalist Rules.
"Latest Practicable Date"	:	9 March 2020, being the latest practicable date prior to the printing of this Appendix.
"Managing Director"	:	The managing director of the Company from time to time for the purpose of approving an IPT.
"NTA"	:	Net tangible assets.
"Securities Account"	:	The securities account maintained by a depositor with CDP.
"Securities and Futures Act"	:	Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time.
"SGX-ST"	:	The Singapore Exchange Securities Trading Limited.
"Shareholders"	:	Registered holder(s) of Shares in the register of members of the Company, except that where CDP is the registered holder, the term "**Shareholders**" shall, in relation to such Shares, mean the Depositors who have Shares entered against their name in the Depository Register of CDP. Any reference to Shares held by or shareholdings of Shareholders shall include Shares standing to the credit of their respective Securities Account
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"Share" or "Shares"	:	Ordinary share(s) in the share capital of the Company.
"subsidiary" or "subsidiaries"	:	Has the meaning ascribed to it in section 5 of the Companies Act.

"Substantial Shareholder"	:	Shall have the meaning ascribed to it in section 81 of the Companies Act and section 2(4) of the Securities and Futures Act, being a person who: (a) has an interest or interests in one (1) or more Shares (excluding treasury shares) in the Company; and (b) the total votes attached to that Share, or those Shares, is not less than 5% of the total votes attached to all the Shares (excluding treasury shares) in the Company.
"%" or "percent"	:	Per centum or percentage.
"S$" or "cents"	:	Singapore dollars and cents, respectively, being the lawful currency of the Republic of Singapore.

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in section 81SF of the Securities and Futures Act.

Words importing the singular shall, where applicable, include the plural and *vice versa.* Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

The headings in this Appendix are inserted for convenience only and shall be ignored in construing this Appendix.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Securities and Futures Act, the Catalist Rules or any statutory modification thereof and not otherwise defined in this Appendix shall have the same meaning assigned to it under the Companies Act, the Securities and Futures Act, the Catalist Rules or any statutory modification thereof, as the case may be. Summaries of the provisions of any laws and regulations (including the Catalist Rules) contained in this Circular are of such laws and regulations (including the Catalist Rules) as at the Latest Practicable Date.

Any discrepancies in the tables included in this Appendix between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables in this Appendix may not be an arithmetic aggregation of the figures that precede them. Where applicable, figures and percentages are rounded to the nearest one decimal place.Any reference to a time of day in this Appendix is made by reference to Singapore time unless otherwise stated.

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MEGACHEM LIMITED

(Company Registration No.: 198803293M)
(Incorporated in the Republic of Singapore)

Directors:

Lee Bon Leong (Independent and Non-Executive Chairman)
Sidney Chew Choon Tee (Managing Director)
Jeffrey Tan Bock Chia (Executive Director)
Chan Kam Loon (Independent Director)
Tay Kin Bee (Independent Director)
Tatsuyuki Sakoda (Non-Executive and Non-Independent Director)

Registered Office:

11 Tuas Link 1,
Singapore 638588

30 March 2020

To: The Shareholders of Megachem Limited

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE INTERESTED PERSON TRANSACTIONS MANDATE

1. INTRODUCTION

1.1 The Directors are seeking Shareholders' approval for the proposed renewal of a general mandate for interested person transactions ("**IPT Mandate**"). The IPT Mandate was initially approved by Shareholders at the EGM of the Company held on 15 April 2016.

1.2 The purpose of this Appendix is to provide Shareholders with information relating to the proposed renewal of the IPT Mandate and to seek Shareholders' approval for the resolution in respect thereof to be tabled at the upcoming AGM.

2. THE PROPOSED RENEWAL OF THE IPT MANDATE

2.1 **Background**

2.1.1 At the AGM of the Company held on 15 April 2019, Shareholders approved the renewal of the IPT Mandate which was expressed to have effect until the conclusion of the next AGM of the Company and, as such would be expiring on 14 April 2020, being the date of the forthcoming AGM. Accordingly, the Directors propose that the IPT Mandate be renewed at the forthcoming AGM and for it to take effect until the conclusion of the next AGM to be held in 2021.

2.1.2 The proposed renewal of the IPT Mandate will enable the Entities at Risk, in their ordinary course of business, to enter into categories of transactions with the specified classes of Interested Persons set out in section 2.4 of this Appendix, provided that such transactions are entered into on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

2.1.3 There is no change in the categories of transactions, Entities at Risk and specific classes of Interested Persons in the proposed renewal of the IPT Mandate.

2.1.4 The renewed IPT Mandate will take effect from the passing of the ordinary resolution relating thereto at the forthcoming AGM and will (unless revoked or varied by the Company in a general meeting) continue in force until the conclusion of the next AGM of the Company. Approval from the Shareholders will be sought for the renewal of the IPT Mandate at the next AGM and at each subsequent AGM of the Company, subject to the satisfactory review by the Audit Committee of its continued relevance and application to the transactions with the Interested Persons and confirms that the methods or review procedures for the transactions with Interested Persons are sufficient to ensure that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and/or its minority Shareholders.

2.2 Chapter 9 of the Catalist Rules

2.2.1 Chapter 9 of the Catalist Rules governs transactions in which a listed company or any of its subsidiaries or associated companies over which the listed company has control (other than a subsidiary or associated company that is listed on a foreign stock exchange) enters into or proposes to enter into with a party who is an interested person of the listed company. The purpose is to guard against the risk that the interested persons could influence the listed company, its subsidiaries or associated companies to enter into transactions with the interested persons that may adversely affect the interests of the listed company or its shareholders.

2.2.2 Under Chapter 9 of the Catalist Rules, where there is a transaction between an interested person and an entity at risk, and the value of the transaction alone or in aggregation with other transactions conducted with the same interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the listed company's latest audited consolidated NTA, unless the transaction is excluded as described below, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for the interested person transaction.

An immediate announcement is required for an interested person transaction of a value equal to, or exceeding:

(a) 3% of the listed company's latest audited consolidated NTA; or

(b) 3% of the listed company's latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the same interested person (as construed under Chapter 9 of the Catalist Rules) during the same financial year.

Shareholders' approval (in addition to an immediate announcement) is required for an interested person transaction of a value equal to, or exceeding:

(a) 5% of the listed company's latest audited consolidated NTA; or

(b) 5% of the listed company's latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the same interested person (as construed under Chapter 9 of the Catalist Rules) during the same financial year.

These requirements do not apply to transactions that are below S$100,000 in value or certain transactions which qualify as exempted transactions under Chapter 9 of the Catalist Rules.

2.2.3 For illustrative purposes only, based on the latest audited consolidated financial statements of the Group for the FY 2019, the consolidated audited NTA of the Group was S$49,636,262. Accordingly, for the purpose of Chapter 9 of the Catalist Rules, during the current FY 2020 and until such time as the audited consolidated financial statements of the Group for the current FY 2020 are published, 3% and 5% of the latest audited consolidated NTA of the Group would be S$1,489,088 and S$2,481,813 respectively. Shareholders' approval is required where:

(a) an interested person transaction is of a value equal to, or more than, approximately S$2,481,813; or

(b) an interested person transaction, when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, approximately S$2,481,813.

2.2.4 Rule 920 of the Catalist Rules, however, allows a listed company to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or business) which may be carried out with the listed company's interested persons. A general mandate is subject to annual renewal.

2.2.5 For the purpose of Chapter 9 of the Catalist Rules:

(a) an "**entity at risk**" means:

(1) the listed company;

(2) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or

(3) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "**listed group**"), or the listed group and its interested person(s), has control over the associated company;

(b) an "**interested person**" means:

(1) a director, chief executive officer, or controlling shareholder of the listed company; or

(2) an associate of any such director, chief executive officer, or controlling shareholder;

(c) the SGX-ST may deem any person or entity to be an interested person if the person or entity has entered into, or proposed to enter into: (a) a transaction with an entiy at risk; and (b) an agreement or arrangement with an interested person in connection with that transaction.

(d) an "**associate**":

(1) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:

a. his immediate family;

b. the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

c. any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and

(2) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more;

(e) an "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles as Chapter 9 of the Catalist Rules;

(f) an "**interested person transaction**" means a transaction between an entity at risk and an interested person; and

(g) a "**transaction**" includes:

(1) the provision or receipt of financial assistance;

(2) the acquisition, disposal or leasing of assets;

(3) the provision or receipt of goods or services;

(4) the issuance or subscription of securities;

(5) the granting of or being granted options; and

(6) the establishment of joint ventures or joint investments;

whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities).

(h) a "**primary interested person**" means a director, chief executive officer or controlling shareholder of the issuer;

(i) in interpreting the term "**same interested person**" for the purpose of aggregation of the values of all transactions entered into with the same interested person during the same financial year under Rules 905, 906 and 907 of the Catalist Rules, the following applies:

(1) Transactions between (a) an entity at risk and a primary interested person; and (b) an entity at risk and an associate of that primary interested person, are deemed to be transactions between the entity at risk with the same interested person.

Transactions between (a) an entity at risk and a primary interested person; and (b) an entity at risk and another primary interested person, are deemed to be transactions between an entity at risk with the same interested person if the primary interested person is also an associate of the other primary interested person; and

(2) Transaction between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person.

If an interested person (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other interested persons of the same group, provided that the listed interested person and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested persons and have audit committees whose members are completely different.

2.3 Rationale and Benefit to Shareholders

2.3.1 It is envisaged that the Group, in the ordinary course of its business, will, from time to time, have transactions with the Interested Persons. Such transactions would include (a) the purchase of chemicals and chemical related products from the Interested Persons by the Group, (b) the sale of chemicals and chemical related products to the Interested Persons by the Group and/or (c) the provision of contract manufacturing services to the Interested Persons by the Group.

2.3.2 Due to the recurrent nature of such commercial transactions, the obtaining of the IPT mandate pursuant to Chapter 9 of the Catalist Rules, will enable the Group, in its ordinary course of business, to enter into the categories of transactions set out in section 2.5 of this Appendix, with the Interested Persons, provided that such IPTs are made on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.

2.3.3 The IPT Mandate and any subsequent renewal on an annual basis will facilitate entry into the IPTs with the Interested Persons in the ordinary course of the Group's business, and eliminate the need for the Company to announce and/or convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry into such transactions by the relevant entity in the Group with the Interested Persons. This will substantially reduce the expenses associated with the convening of general meetings on an ad-hoc basis, improve administrative efficacy considerably, and allow manpower resources and time to be channelled towards attaining corporate objectives.

2.4 Classes of Interested Persons

The IPT Mandate will apply to the IPTs which are carried out with the following Interested Persons:

(a) Chori Co., Ltd, a Controlling Shareholder of the Company which, as at the Latest Practicable Date, has a deemed interest of 29.99% in the issued share capital of the Company and holds its 39,976,670 Shares under the custodian account of Chori Co., Ltd. maintained with Citibank Nominees Singapore Pte. Ltd.; and

(b) current and future associates of Chori Co., Ltd.

2.5 Nature and Scope of the IPT Mandate

2.5.1 The IPT Mandate will cover the IPTs, in the ordinary course of business, in relation to:

(a) the purchase of chemicals and chemical related products from the Interested Persons by the Group;

(b) the sale of chemicals and chemical related products to the Interested Persons by the Group; and

(c) the provision of contract manufacturing services to the Interested Persons by the Group.

2.5.2 For the avoidance of doubt, the IPT Mandate does not cover transactions in respect of any purchase or sale of assets, undertakings or businesses.

2.5.3 The IPT Mandate will apply to any IPT within the categories set out in this section 2.5 of this Appendix, regardless of its value.

2.5.4 Transactions with interested persons (including the Interested Persons) that do not fall within the ambit of the IPT Mandate will be subject to the requirements of Chapter 9 of the Catalist Rules and/or other applicable provisions of the Catalist Rules.

2.6 Validity Period of the IPT Mandate

The IPT Mandate is subject to Shareholders' approval at the AGM. If approved by the Shareholders at the forthcoming AGM, the IPT Mandate will take effect from the date of the passing of the ordinary resolution as set out in the notice of AGM relating thereto, and will continue in force until the conclusion of the next AGM (unless revoked or varied by the Company in a general meeting), or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier. Approval from Shareholders will be sought for the renewal of the IPT Mandate at the next AGM, subject to satisfactory review by the Audit Committee of the continued requirement of the IPT Mandate and the continued sufficiency of the review procedures to ensure that the transactions with the Interested Persons will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

2.7 Disclosure

2.7.1 In accordance with the requirements of Chapter 9 of the Catalist Rules, the Company will:

(a) disclose in the Company's annual report the aggregate value of transactions conducted with the Interested Persons pursuant to the IPT Mandate during the financial year (as well as in the annual reports for subsequent financial years that the IPT Mandate continues in force); and

(b) announce the aggregate value of transactions conducted with the Interested Persons pursuant to the IPT Mandate for the financial periods that it is required to report on pursuant to Rule 705 of the Catalist Rules (which relates to interim and full year financial results reporting by listed companies) within the time required for the announcement of such report.

The disclosure will also include the name of the Interested Persons, nature of relationship and the corresponding aggregate value of the IPTs, presented to indicate (a) the aggregate value of all IPTs during the financial year under review (excluding transactions conducted under the IPT Mandate); and (b) the aggregate value of all IPTs, conducted under the IPT Mandate.

2.8 Guidelines and Review Procedures for the IPTs under the IPT Mandate

2.8.1 Review Procedure

The Group has established the following review procedures to ensure that the IPTs under the IPT Mandate are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders and on terms which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.

Sale of Products and/or Provision of Contract Manufacturing Services

(a) The sale of products or provision of contract manufacturing services by the Group to Interested Persons will be carried out at the prevailing market rates and on terms which are no more favourable to the Interested Person than the usual commercial terms extended by the Group to unrelated third party customers (including, where appropriate, preferential rates/ prices/ discounts accorded for high volume purchases) or otherwise in accordance with applicable industry norms.

Prior to the sale of products or provision of contract manufacturing services to an Interested Person, the terms of at least two (2) other recent sale transactions to unrelated third party customers for the same products or services, wherever possible, will be used as comparison to determine whether the transaction price and terms offered to the Interested Persons by the Group are fair and reasonable and comparable to those offered to the unrelated third parties. Other factors such as, but not limited to, delivery schedules to be met, quality and quantity of products ordered, credit terms, packing terms, reliability and credit worthiness of customer, freight cost, storage cost, production cost, potential for future business and rebates or discounts accorded, will also be taken into consideration.

(b) In the event that it is not possible to obtain comparative quotes in the manner described above for the same product or service due to the nature of the product or service to be sold or provided (as applicable), the transaction price and terms of the products and services to be sold to the Interested Persons shall be determined in accordance with the Group's usual business practices and on normal commercial terms, taking into consideration factors such as, but not limited to, delivery schedules to be met, quality and quantity of products ordered, credit terms, packing terms, reliability and credit worthiness of customer, freight cost, storage cost, production cost, potential for future business and rebates or discounts accorded.

Purchase of Products

(a) Prior to the purchase of products from an Interested Person, the Group shall, wherever possible, obtain the quotations from at least two (2) unrelated third parties for the same product at the similar quantities which will be used as a basis for comparison to determine whether the transaction price and terms offered by the Interested Persons to the Company are fair and reasonable and comparable to those offered by the unrelated third parties. Other factors such as, but not limited to, delivery schedules, quality and quantity of products, credit terms, packing terms, reliability of supplier, freight cost, storage cost, potential for future business and rebates or discounts accorded, will also be taken into consideration.

(b) In the event that it is not possible to obtain comparative quotes in the manner described above due to the nature of the products to be purchased, the transaction price and terms of the products to be purchased from the Interested Persons shall be determined in accordance with the Group's usual business practices and on normal commercial terms, taking into consideration factors such as, but not limited to, market prices of similar or

substitute products (or any other ways to access reasonableness of the purchase price), delivery schedules, quality and quantity of products, credit terms, packing terms, reliability of supplier, freight cost, storage cost, potential for future business and rebates or discounts accorded.

2.8.2 Approval

In addition to the review procedures set out in section 2.8.1 of this Appendix above, the following approval procedures have been implemented:

(a) the review and prior approval by the following persons in accordance with the Company's internal approval matrix is required for any IPT, where the value thereof is less than S$100,000.00:

(i) a Country Manager or the Group Purchasing Manager (each having no interest, direct or indirect, in the IPT) in relation to any purchase of products; and

(ii) a Country Manager (having no interests, direct or indirect, in the IPT) in relation to any sale of products and provision of contract manufacturing services;

(b) the review and prior approval of the Managing Director (having no interest, direct or indirect, in the IPT) is required for any IPT where the value thereof is equivalent to or greater than S$100,000.00 but less than S$300,000.00;

(c) the review and prior approval of two (2) Executive Directors (which includes the Managing Director) (each having no interest, direct or indirect, in the IPT) is required for any IPT where the value thereof is equivalent to or greater than S$300,000.00 but less than 3% of the Company's latest audited consolidated NTA; and

(d) the review and prior approval of the Audit Committee is required for any IPT where the value thereof is equivalent to or greater than 3% of the Company's latest audited consolidated NTA.

Such review includes the examination of the transaction and its supporting documents or such other data deem necessary by the Audit Committee. The Company will prepare the relevant information to assist them in their review.

The above approval thresholds are adopted after taking into account, *inter alia*, the nature, volume, recurrent frequency and transaction size as well as the Group's day-to-day operations, administration and businesses. The approval thresholds act as an additional safeguard to supplement the review procedures to be implemented for the IPTs under the IPT Mandate.

In the event that any person specified above (other than the Audit Committee) has an interest (direct or indirect) in any of the IPTs, he will abstain from any review or decision-making in respect of that particular IPT, and such review and approval process shall be undertaken by such other senior executive of the Company (who do not have any interest in the IPT) as designated by the Audit Committee from time to time for such purpose.

If a member of the Audit Committee has an interest (direct or indirect) in any of the IPTs, he shall abstain from participating in the review and approval process of the Audit Committee in relation to that transaction. The review and approval process will be undertaken by the remaining members of the Audit Committee.

2.8.3 Other Review Procedures

The Company will maintain a register of transactions carried out with the Interested Persons, including the IPTs entered into pursuant to the IPT Mandate (recording the basis, including (if available) the quotations obtained to support such basis, on which they were entered into) ("**IPT Register**"). Any discrepancies or significant variances (as determined by the Audit Committee) from the Group's usual business practices and pricing policies will be highlighted to the Audit Committee.

The Company will maintain a list of interested persons (which will be updated periodically) and will disseminate the list to the relevant staff of the companies within the Group to enable the identification of the interested persons.

The Audit Committee shall, at least on a half-yearly basis, periodically review the IPT Register to ensure that the IPTs are carried out on normal commercial terms and in accordance with the guidelines and review procedures under the IPT Mandate and the prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Catalist Rules). Interested party transactions which are not within the ambit of the IPT Mandate will be subject to Rules 905 and 906 of the Catalist Rules.

The Audit Committee shall also review from time to time such guidelines and review procedures to determine if they are adequate and/or commercially practicable in ensuring that IPTs are conducted on normal commercial terms and do not prejudice the interests of the Company and its minority Shareholders. Further, if during these periodic reviews by the Audit Committee, the Audit Committee is of the opinion that the methods or procedures for determining transaction prices and terms become inappropriate, it will, in consultation with the Board, take such actions as it deems proper to modify or implement further procedures and if it deems necessary, the Company will seek to obtain a fresh general mandate from the Shareholders based on new guidelines and review procedures for the transactions to be entered into with its interested persons, pursuant to Chapter 9 of Catalist Rules.

The Audit Committee may request the Company to include a review of IPTs, the guidelines and procedures in its internal audit plan.

If a member of the Audit Committee has an interest (direct or indirect) in any of the IPTs, he shall abstain from participating in the review and approval process of the Audit Committee in relation to that transaction. The review and approval process will be undertaken by the remaining members of the Audit Committee.

The Board shall have the overall responsibility for the determination of the review procedures with the authority to sub-delegate to individuals or committees within the Company as it deems appropriate.

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the Shares are set out below:

	Direct Interest		**Deemed Interest**	
	No. of Shares	%	No. of Shares	%
Chew Choon Tee	46,512,516	34.89	444,296	0.33
Tan Bock Chia	25,435,083	19.08	–	–
Lee Bon Leong	100,000	0.08	–	–
Chori Co., Ltd	–	–	39,976,670	29.99
Toray Industries, Inc	–	–	39,976,670	29.99

Notes:

(1) Chew Choon Tee is deemed to have an interest in the 444,296 Shares held in the name of his spouse, Liau Bin Bin, by virtue of section 7 of the Companies Act.

(2) 9,330,000 Shares of Chew Choon Tee are held through nominees.

(3) 10,000,000 Shares of Tan Bock Chia are held through nominees.

(4) 39,976,670 Shares of Chori Co., Ltd are held under the custodian account of Chori Co., Ltd maintained with Citibank Nominees Singapore Pte. Ltd.

(5) Deemed interest arising from 39,976,670 Shares held by Chori Co., Ltd. Toray Industries, Inc owns 51.25% of the issued share capital of Chori Co., Ltd.

4. ABSTENTION FROM VOTING

4.1 In accordance with Rule 920(1)(b)(viii) of the Catalist Rules, the Interested Persons will abstain, and has undertaken to ensure that their associates will abstain, from voting at the AGM on the ordinary resolution relating to the IPT Mandate.

4.2 Further, the Interested Persons undertake to decline, and shall ensure that their associates decline to accept appointment as proxy(ies) to vote at the AGM on the ordinary resolution relating to the IPT Mandate from other Shareholders unless the Shareholder concerned shall have given specific instructions as to the manner in which his votes are to be cast at the AGM.

5. STATEMENT OF THE AUDIT COMMITTEE

Having reviewed, *inter alia*, the terms, rationale and benefits of the IPT Mandate, the Audit Committee confirms that the guidelines and review procedures of the Company for determining transaction prices of the IPTs under the IPT Mandate as set out in section 2.8 of this Appendix, have not been changed since last shareholders' approval and if strictly applied and adhered to, are sufficient to ensure that the IPTs will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

6. DIRECTORS' RECOMMENDATIONS

6.1 The Independent Directors are of the opinion that the IPT Mandate is in the best interests of the Company and its minority Shareholders. Accordingly, the Independent Directors recommend that Shareholders vote in favour of the ordinary resolution (as set out in the notice of AGM) relating to the IPT Mandate.

6.2 The Independent Directors, in rendering their recommendation, have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, the Independent Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio, should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders will find enclosed with this Annual Report, the notice of the AGM and a proxy form.

7.1 Appointment of Proxies

Shareholders who are unable to attend the AGM and who wish to appoint a proxy or proxies to attend and vote at the AGM on their behalf are requested to complete, sign and return the Proxy Form enclosed in this Annual Report in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the office of the Company's share registrar, Tricor Barbinder Share Registration Services, at 80 Robinson Road, #11-02, Singapore 068898, not more than seventy-two (72) hours before the time fixed for the AGM. The sending of a Proxy Form

by a Shareholder does not preclude him from attending and voting in person at the AGM if he finds he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked and the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.

7.2 When is Depositor regarded as Shareholder

A Depositor shall not be regarded as Shareholder entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register seventy-two (72) hours before the time appointed for holding the AGM, as certified by CDP to the Company.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the IPT Mandate, the Company, its subsidiaries and associated companies, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

9. INSPECTION OF DOCUMENTS

The following documents will be available for inspection at the Company's registered office at 11 Tuas Link 1, Singapore 638588 during normal business hours from the date hereof up to and including the date of the AGM:

(a) the Constitution;

(b) the Annual Report of the Company for the financial year ended 31 December 2019.

Yours faithfully

For and on behalf of the Board of
MEGACHEM LIMITED

Sidney Chew Choon Tee
Managing Director
30 March 2020