EMPOWERING YOUR CYBER SECURITY & NETWORK PERFORMANCE

ANNUAL REPORT 2019

MultiChem
The Hole Solution Provider

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.

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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 Kunshan"	Multi-Chem Electronics (Kunshan) Co., Ltd
"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. Our current portfolio encompasses best-of-breed inter-operable solutions which cover every major aspect of information and network security needs of today.

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 Kindom 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, 28 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: Leong Hon Mun Peter
Appointment since the financial year ended 31 December 2018

Internal Auditor

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

Principal Bankers

Bank of China
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

General

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

E-mail:
salesmultichem@multichem.com.sg
sales@mtechpro.com

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

BOARD OF DIRECTORS

1 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.

2 Foo Suan Sai

Chief Executive Officer and Member of NC

Mr Foo, one of the founding shareholders of Multi-Chem, has more than 31 years of experience in the PCB industry, of which the last 31 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.

3 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.

4 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 36 years, with the past 30 years

BOARD OF DIRECTORS

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.

5 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.

6 Foo Maw Shen

Independent Director, Member of ARMC, NC and RC

Mr Foo was appointed as a Director in July 2014. He has over 26 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.

7 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

1 Koh Henry

Senior Manager, Operations

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.

2 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.

MANAGEMENT TEAM

3 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.

4 Goh Tian Keong Winston

Regional Director of Greater China and Korea

Mr Goh has been responsible for the IT business development of M.Tech business in Greater China for the past 15 years. He was promoted to Regional Director of Greater China and Korea and is responsible for the IT business development in Greater China, (including Taiwan) and Korea. 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

Foo Suan Sai
Chief Executive Officer

Revenue $456M in 2019 6% growth from 2018. As at 31 December 2019, the Group has 2 laser machines and 7 CNC drilling machines.

The Group's revenue achieved new heights in year 2019 as we brought in $456M in revenue, an increase of $25M, as compared to $431M in year 2018. 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 2019. However, events in the course of the year, such as the trade war between USA and China, and Brexit affected the momentum of the economy's growth. As a result, the Group's revenue grew by only 6%.

LETTER TO SHAREHOLDERS

As of 31 December 2019, the net working capital of the Group stood at $95M compared to $92M as at 31 December 2018.

The Group's Financial Performance

The Group recorded revenue of $456M in 2019, which was 6% more than $431M achieved in 2018. The increase in Group's revenue for the year was mainly due to the positive contributions from IT business, which accounted for about 99% of Group's revenue in 2019.

Revenue from the PCB business accounted for less than 1% of Group's revenue in 2019. The PCB business decreased by 64% as compared to 2018, primarily due to the significantly reduced production capacity, following the disposal of machines in China.

As of 31 December 2019, the Group had 2 laser machines and 7 CNC drilling machines in Singapore.

With the significant reduction in the number of machines, contribution from this manufacturing division is expected to be further reduced in the year 2020.

Comparing revenue by geographical segments, 40% of the Group's revenue in 2019 was derived from Singapore, an increase from 39% in 2018. Of the remaining 60%, Australia accounted for 13%, Greater China accounted for 11% and the rest of the regions accounted for the remaining 36%.

The Group recorded a profit before tax of $14.6M in 2019 compared to $11.9M in 2018, an increase of 22%. On an after-tax basis, the Group recorded a profit of $9.8M in 2019 as compared to $6.7M in 2018. On a weighted average basis, the Group's earnings per share increased from 6.18 cents in 2018 to 8.70 cents in 2019. The increase in profit is mainly due to the increase in gross profit in correspond to the increase in sales.

Financial Position

As of 31 December 2019, the net working capital of the Group stood at $95M, compared to $92M as at 31 December 2018. This included cash and bank balances of $60M. Shareholders' funds and net asset value per share stood at approximately $104M and 115 cents respectively as at 31 December 2019.

The Directors are pleased to recommend a final tax exempt (one-tier) dividend of 4.40 cents (Singapore) per ordinary share, and to celebrate 20 years listing on Singapore Stock Exchange, the Directors are also recommending a special

LETTER TO SHAREHOLDERS

Lim Keng Jin
Group Chairman

Net working capital is $95M as at 31 December 2019. The Group recorded a profit before tax of $14.6M in 2019.

tax exempt (one-tier) dividend of 2.20 cents (Singapore) per ordinary share for 2019.

Business Outlook
The IT business was the Group's main business in 2019, 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 $453M

LETTER TO SHAREHOLDERS

The IT business contributed

$453M

of Group's revenue in 2019 and this business is expected to deliver more in 2020.

of Group's revenue in 2019 and this business is expected to deliver more in 2020.

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 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 2020.

Sustainability Matters

We reaffirm our commitment to sustainability with the publication of our sustainability report guided by the Global Reporting Initiative ("GRI") Standards: Core option and published in pursuant to SGX-ST listing rule 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.

Our efforts on sustainability is focused on creating sustainable value for our key

LETTER TO SHAREHOLDERS

stakeholders, which comprises communities, customers, employees, regulators, shareholders and vendors.

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 2020.

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 ESG factors and economic performance.

Whilst mindful of our profit oriented objective, 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 of our Group. This commitment is reflected in our sustainable business strategy and the material ESG factors which are shown in this Report.

A sustainability policy ("SR Policy") covering our sustainability strategies, reporting structure, materiality assessment and processes in identifying and monitoring material ESG 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 ESG factors from time to time, taking into account the feedback that we receive from our engagement with our stakeholders, organisational and external developments.

A summary of our sustainability performance in FY2019 is as follows:

S/N	Material factor	Sustainability performance
1	Total customer satisfaction	• More than 70 product brands offered to customers • A network of 30 cities in 15 countries • 61% of the employees covered have more than 3 years of service in our Group
2	Equality and diversity in the workplace	• Due to the nature of our business, employees with tertiary education represent 89% of the employees covered • 42% of the employees covered are females • 25% of the employees covered are at least 40 years old
3	Responsible waste management	100% of technological equipment requiring special disposal is handled by licensed waste collectors
4	Sustainable business performance	• Salaries to employees amounted to SGD 36.6 million • A total of SGD 4.8 million in tax to government • Aggregate tax-exempt 1-tier dividends of 6.60 cents per share are proposed to reward our shareholders • A total of SGD 7.8 million is reinvested via retained earnings to fund future growth
5	Proactive anti-corruption practices	Zero incident of serious offence
6	Robust corporate governance framework	Singapore Governance and Transparency Index ("SGTI") score assessed by National University of Singapore Business School is 71

SUSTAINABILITY REPORT

2. Reporting framework

This Report has been prepared in accordance with the GRI Standards: Core option and the Singapore Exchange Securities Trading Limited ("SGX-ST") listing rules 711A and 711B. We have chosen the GRI framework as it is an internationally recognised reporting framework.

3. Reporting period and scope

This reporting period is for our Group's financial year ("FY") ended 31 December 2019 ("FY2019") and a report will be published annually in accordance with our SR Policy.

This Report covers the key operating entities within our Group which contributed approximately 86% (FY2018: 85%) of the total revenue for the reporting period.

4. 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.

5. 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. 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.

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	We focus on continuous community engagement and has initiated various campaigns to help the communities and preserve the environment.	Ongoing	• Social inclusion • Environmental initiatives
2	Customers	Communications with customers are made through via various channels such as meetings, events, email communications, phone calls and teleconferences.	Ongoing	Product diversity as well as customer service

SUSTAINABILITY REPORT

S/N	Key stakeholder	Engagement channel	Frequency of engagement	Key concern raised by stakeholder
3	Employees	Senior management and key managers holds regular communication sessions with employees to obtain feedback and alignment of business goals across all levels of workforce. Such communication channels include emails and half-yearly staff evaluation sessions where employees can pose questions in person.	Ongoing	• Career development and training opportunities • Work-life balance • Job security • Remuneration
4	Regulators	We participate in consultations and briefing organised by key regulatory bodies such as Singapore Stock Exchange and relevant government agencies/ bodies so as to better understand the regulatory requirements and to furnish feedback on proposed regulatory changes that impact the company's business.	Ongoing	Corporate governance
5	Shareholders	We convey timely, full and credible information to shareholders through announcement on SGXNET, Company's website (http://www.multichem.com.sg), annual general meetings, annual reports, and other channels such as business publications and investors' relation events.	• Annually • Quarterly	• Sustainable business performance • Market valuation • Dividend payment • Corporate governance

SUSTAINABILITY REPORT

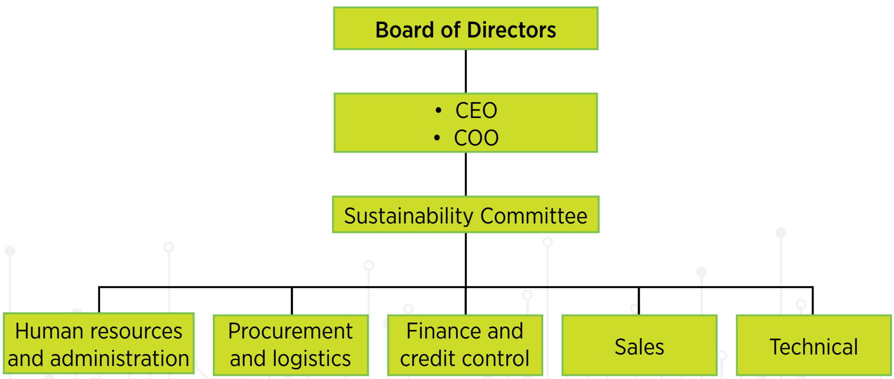
S/N	Key stakeholder	Engagement channel	Frequency of engagement	Key concern raised by stakeholder
6	Vendors	We maintain good relationship with vendors by establishing various communication platform for all levels of personnel involved in each product, such as emails, meetings, events and regular vendor conferences. This serves to gain competitive advantage in areas such as information on vendor's strategic directions, new product launches and marketing focus.	Ongoing	• Ability to distribute products • Maintain and expand brand presence • Maximise end customers' satisfaction

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

6. Policy, practice and performance reporting

6.1 Reporting structure

Our sustainability strategy is developed and directed by the senior management in consultation with the Board of Directors. Our Group's Sustainability Committee, which includes senior management executives and key managers from various functions, is led by our Chief Executive Officer ("CEO") and Chief Operating Officer ("COO"), and tasked to develop the sustainability strategy, review its material impacts, consider stakeholder priorities and set goals and targets, as well as collect, verify, monitor and report performance data for this Report.



SUSTAINABILITY REPORT

6.2 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 results of this process is a list of material factors disclosed in this Report. Inter-relations of which are as shown in the chart below:

Identification

Identification of the material factors that are relevant to our Group's activities and data points for performance reporting

Prioritisation

Prioritisation of the material factors and identification of key sustainability factors to be reported

Validation

Validation involves the verification of information and data gathered on material factors and to perform an assessment on the completeness of key sustainability factors to finalise the sustainability report content

Review

Monitor, review and update our material factors from previous reporting period, taking into account the feedback received from engagement with stakeholders, organisational and external developments

6.3 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
I	High	Factors with high reporting priority should be reported in detail.
II	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.
III	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 external stakeholders and potential impact on business.

SUSTAINABILITY REPORT

6.4 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.

7 Material factors

Our materiality assessment performed for FY2019 involved our Senior Management in identifying sustainability factors deemed material to our businesses and stakeholders so as to allow us to channel our resources judiciously to create sustainability value for our stakeholders.

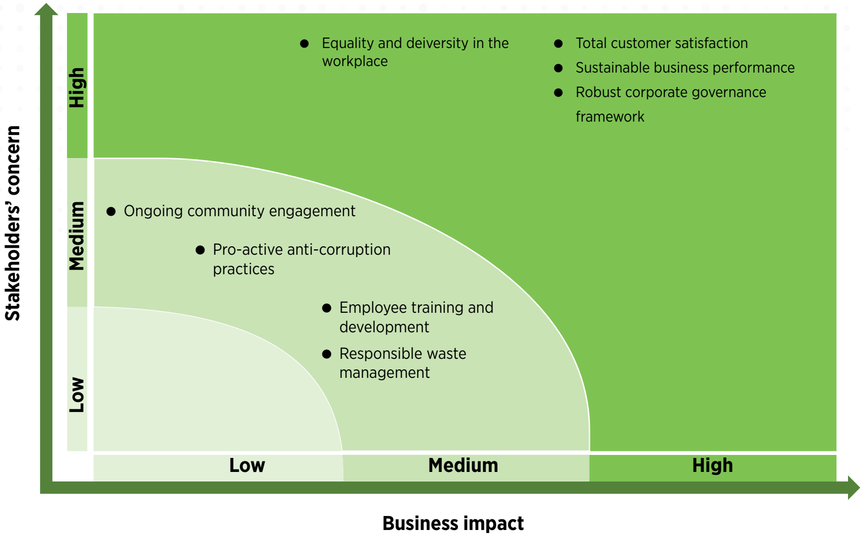
Presented below are a list of key sustainability factors applicable to our Group:

List of material sustainability factors

S/N	Material factor	Key stakeholder	Reporting priority
General disclosure			
1	Total customer satisfaction	• Customers • Vendors	I
Social			
2	Equality and diversity in the workplace	Employees	I
3	Employee training and development	Employees	II
4	Ongoing community engagement	Communities	II
Environmental			
5	Responsible waste management	• Communities • Shareholders	II
Economic			
6	Sustainable business performance	Shareholders	I
7	Proactive anti-corruption practices	• Shareholders • Regulators	II
Governance			
8	Robust corporate governance framework	• Shareholders • Regulators	I

SUSTAINABILITY REPORT

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:

7.1 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 2019, we offer more than 70 product brands (as at 31 December 2018: 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
- Establish a strong and effective communication channel with them at different staff level

SUSTAINABILITY REPORT

Key brands under distribution

allot, Check Point SOFTWARE TECHNOLOGIES LTD., CISCO, CYBERARK, DARKTRACE, imperva

ixia, mobileiron, NUTANIX, proofpoint, riverbed, RSA

tenable, TREND MICRO, tripwire, tufin, vmware Carbon Black

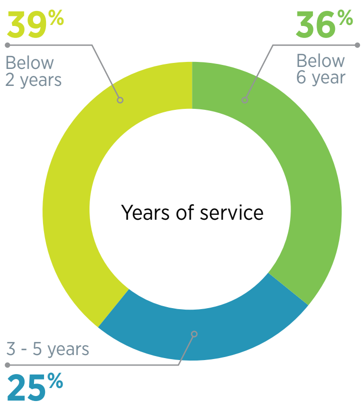
Maintain presence and proximity to stakeholders that we serve

Over the years, we have established a network of 30 cities in 15 countries (as at 31 December 2018: 30 cities in 14 countries) to provide on-site sales, marketing as well as technical support to our reseller partners. This geographical spread brings us close to the markets we serve and more importantly, closer to our clients.

Nurture a team of highly trained and experienced employees

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 2019, approximately 61% (as at 31 December 2018: 58%) of the employees covered have served for more than 3 years with us.



Target for FY2019	Performance in FY2019	Target for FY2020
• Maintain a comprehensive range of products • Maintain a team of highly trained and experienced employees	• More than 70 product brands offered to customers • A network of 30 cities in 15 countries • 61% of the employees covered have more than 3 years of service	• Maintain a comprehensive range of products • Maintain or improve employee retention rate subject to market condition

SUSTAINABILITY REPORT

7.2 Equality and diversity in the workplace

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 Mr Calvin Lee and his wife Ms Angela Goh are able to regularly tap into our flexible work arrangements to juggle work and family. Ms Goh, who works in the Product Sales Department, is allowed to leave work early and make several stops to pick up her children before reaching home. We believe such flexibility helps us to retain talent by building employee loyalty, which in turn enhances overall productivity.

"It's based on **mutual understanding and respect**," said Mr Calvin Lee, her 35-year old husband and colleague.

"They are very **family-oriented**," said Ms Angela Goh, who works in the Product Sales Department.

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[1] that was introduced to create work-life harmony at our workplace.

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 re-inforce 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 half-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
- Long service awards are given out to valuable employees with continuous employment records regardless of their race, age, gender, sexuality, disability or culture

[1] The Tripartite Standard on Flexible Work Arrangements specifies practices that employers should implement at the workplace to help their employees better manage their work-life needs.

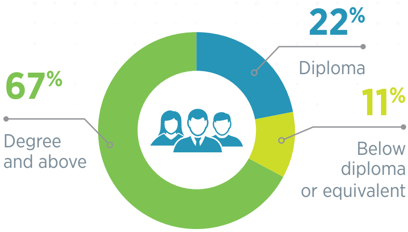
SUSTAINABILITY REPORT

The total number of full-time employees covered as at 31 December 2019 is 521 (as at 31 December 2018: 516).

Educational Diversity

On the educational diversity, we employ our employees from different educational background and seek to create an inclusive environment for them. As at 31 December 2019, the distribution of the employees covered by educational level is as follows:

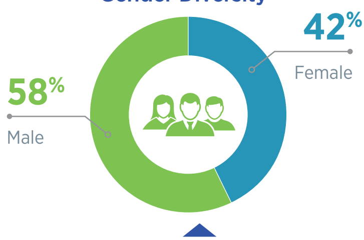
Education qualification	FY2019	FY2018
Degree and above	67%	67%
Diploma	22%	22%
Below diploma or equivalent	11%	11%
Total	**100%**	**100%**



Due to the nature of our business, the workforce is predominantly tertiary educated (with a diploma and above). Such employees contribute 89% (as at 31 December 2018: 89%) of our employee covered as at 31 December 2019. Upon joining us, employees are assessed and rewarded primarily based on their performance.

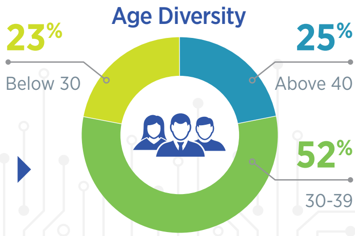
Number of **employees** covered under this report = 516

Gender Diversity



On gender diversity, we have one (as at 31 December 2018: one) female Board member and as at 31 December 2019, the percentage of male / female employees covered is 58%/42% (as at 31 December 2018: 59% / 41%) respectively.

Age Diversity



Compare to 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 2019, 25% (as at 31 December 2018: 25%) of the employees covered is at least 40 years old.

SUSTAINABILITY REPORT

Target for FY2019	Performance in FY2019	Target for FY2020
Move towards a more balanced gender, age and educational diversity ratio	• Due to the nature of our business, employees with tertiary education (with a diploma and above) represent 89% of the employees covered • 42% of the employees covered are females • 25% of the employees covered are at least 40 years old	Move towards a more balanced or maintain existing gender, age and educational diversity ratios

7.3 Employee training and development

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

Promising employees are given the opportunity to work for a period of time at our overseas subsidiaries to further enhance their experience and selected employees are also given the opportunity to attend local or overseas trade shows or vendors' events to learn more about the products and to 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 FY2019	Performance in FY2019	Target for FY2020
None[2]	Not applicable	Provide training opportunities for development and growth to keep our employees motivated and engaged

7.4 Ongoing community engagement

We strive to set a good example and encourage individuals and other corporates 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 are 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") in year 2018, we contributed SGD 67,000 to SIT to establish 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.

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

[2] Not applicable as this is a newly disclosed sustainability factor added in this Report.

SUSTAINABILITY REPORT

Provide charitable contributions to support worthy causes

We also continuously seek opportunities to impact communities positively through meaningful charitable contributions. During the reporting period, we donated over SGD 70,000 to charities such as Lee Hsien Loong Cup Charity Golf Tournament 2019, M1 Charity Golf 2019, Metta Welfare Association, Singapore Island Country Club May Day Charity and Singapore Power Heartware Fund.

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.

M. Tech GiveBack Event

As part of our M. Tech GiveBack Event, 35 of our employees visited the Lee Ah Mooi Old Age Home (Thomson) ("Home"), bringing joy and happiness to 110 residents of the Home. We actively engaged the residents through exciting activities such as karaoke as well as a game of Bingo, in which the residents thoroughly enjoyed. Together with generous contributions from our sponsors, we also donated to the Home medical consumables, groceries and food ingredients which are essential to the well-being of the residents.

Target for FY2019	Performance in FY2019	Target for FY2020
Initiate various campaigns to help the communities	Initiated various campaigns to help the communities	Continue with existing community engagement campaigns

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.

7.5 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. 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.

SUSTAINABILITY REPORT

Proper waste management and disposal

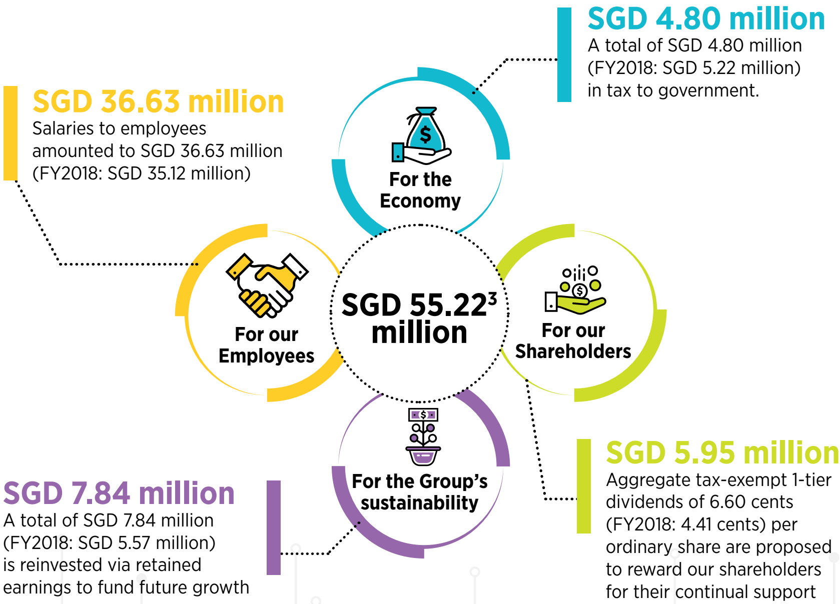
We recognise that technological equipment such as those distributed by us often contain components such as plastics and heavy metals, which cannot be simply discarded. Proper disposal of equipment is both environmentally responsible and often required by law. In FY2019, 100% (FY2018: 100%) of our Group's disposal of technological equipment is handled by licensed waste collectors.

Target for FY2019	Performance in FY2019	Target for FY2020
Improve waste management through reusing and recycling e-waste	100% of technological equipment requiring special disposal is handled by licensed waste collectors	100% of technological equipment requiring special disposal is handled by licensed waste collectors

7.5 Sustainable business performance

We believes in creating long-term economic value for shareholders by striking a balance between rewarding shareholders by way of consistent profits, 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 in FY2019 is distributed as follows to enable a more sustainable future:



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

[3] 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-controling interests, finance costs, depreciation and amortisation expenses.

SUSTAINABILITY REPORT

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

Target for FY2019	Performance in FY2019	Target for FY2020
Maintain or improve our financial performance subject to market conditions while maintaining our dividend payout where practicable	• Salaries to employees amounted to SGD 36.6 million • A total of SGD 4.8 million in tax to government • Aggregate tax-exempt 1-tier dividends of 6.60 cents (FY2018: 4.41 cents) per ordinary share are proposed to reward our shareholders • A total of SGD 7.8 million is reinvested via retained earnings to fund future growth	Maintain or improve our financial performance and value to stakeholders subject to market conditions

7.6 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 a whistle blowing policy to provide a mechanism for employees to raise concerns through accessible confidential disclosure channels about possible improprieties in matters of financial reporting and others. In FY2019, zero incident of serious offence is reported[4] (FY2018: zero incident).

Target for FY2019	Performance in FY2019	Target for FY2020
Maintain zero incident of serious offence	We achieved zero incident of serious offence	Maintain zero incident of serious offence

7.7 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 a risk management framework ("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 risks faced by the Group could be converted into opportunities and favourable results.

Our overall Singapore Governance and Transparency Index ("SGTI") score assessed by National University of Singapore Business School is 71 for the year 2019 (Year 2018: 63).

[4] A serious offence is defined as one that involves fraud or dishonesty amounting to not less than SGD 100,000 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.

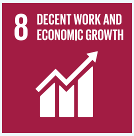
SUSTAINABILITY REPORT

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

Target for FY2019	Performance in FY2019	Target for FY2020
Improve or maintain SGTI score	The SGTI increased by 8 points to 71 for the year 2019	Improve or maintain SGTI score

8 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 Sustainable Development Goals ("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
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities	<u>Section 7.3 Employee training and development</u> We invest in training, education and development of our people to enhance our business competencies. <u>Section 7.4 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.
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<u>Section 7.1 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. <u>Section 7.6 Sustainable business performance</u> We contribute to economic growth through creating long-term value for our stakeholders.

SUSTAINABILITY REPORT

SDG		Our effort
10 REDUCED INEQUALITIES	Reduce inequality within and among countries	Section 7.2 Equality and diversity in the workplace We create a diverse and inclusive workplace that will bring new perspectives to our business and strengthen our ability to overcome new challenges.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	Section 7.5 Responsible waste management We constantly enhance our operating systems to move towards a paperless working environment and ensure proper disposal of technological equipment requiring special disposal.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Section 7.8 Robust corporate governance framework We maintain a high standard of corporate governance to safeguard our shareholders' interest and maximise long-term shareholders' value.

9 GRI content index

General standard disclosure		Section reference	Page
Organisation profile			
102-1	Name of the organization	Definitions	1
102-2	Activities, brands, products, and services	• Corporate Profile • Sustainability Report > Material Factors > Total Customer Satisfaction • Financial Contents > Notes to the Financial Statements > Investments in Subsidiaries	2 19 - 20 125 - 133
102-3	Location of headquarters	Corporate Directory	71 - 73
102-4	Location of operations	Corporate Directory	71 - 73
102-5	Ownership and legal form	• Group Structure • Financial Contents > Notes to the Financial Statements > General Corporate Information • Financial Contents > Notes to the Financial Statements > Investments in Subsidiaries	39 93 125 - 133
102-6	Markets served	Corporate Directory	71 - 73

SUSTAINABILITY REPORT

General standard disclosure		Section reference	Page
102-7	Scale of the organization	• Sustainability Report > Material Factors > Diversity and Equal Opportunity • Sustainability Report > Material Factors > Sustainable Business Performance • Operations Review • Financial Highlights • Financial Review • Financial Contents > Statements of Financial Position • Financial Contents > Consolidated Income Statement • Financial Contents > Consolidated Income Statement and Statement of Comprehensive Income	21 - 23 25 - 26 32 - 33 40 - 44 45 - 50 84 – 85 86 87
102-8	Information on employees and other workers	Sustainability Report > Material Factors > Diversity and Equal Opportunity	21 - 23
102-9	Supply chain	Sustainability Report > Material Factors > Total Customer Satisfaction	19 - 20
102-10	Significant changes to the organization and its supply chain	None	-
102-11	Precautionary Principle or approach	None	-
102-12	External initiatives	Sustainability Report > Supporting the UN Sustainable Development Goals	27 - 28
102-13	Membership of associations	None	-
Strategy			
102-14	Statement from senior decision-maker	• Letter to Shareholders > Sustainability Matters • Sustainability Report > Board Statement	11 - 12 13
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	• Sustainability Report > Material Factors > Robust Corporate Governance Framework • Corporate Governance Report	26 - 27 53 - 70
Governance			
102-18	Governance structure of the organization	Corporate Governance Report	53 - 70
Stakeholder engagement			
102-40	List of stakeholder groups	Sustainability Report > Stakeholder Engagement	14 - 16

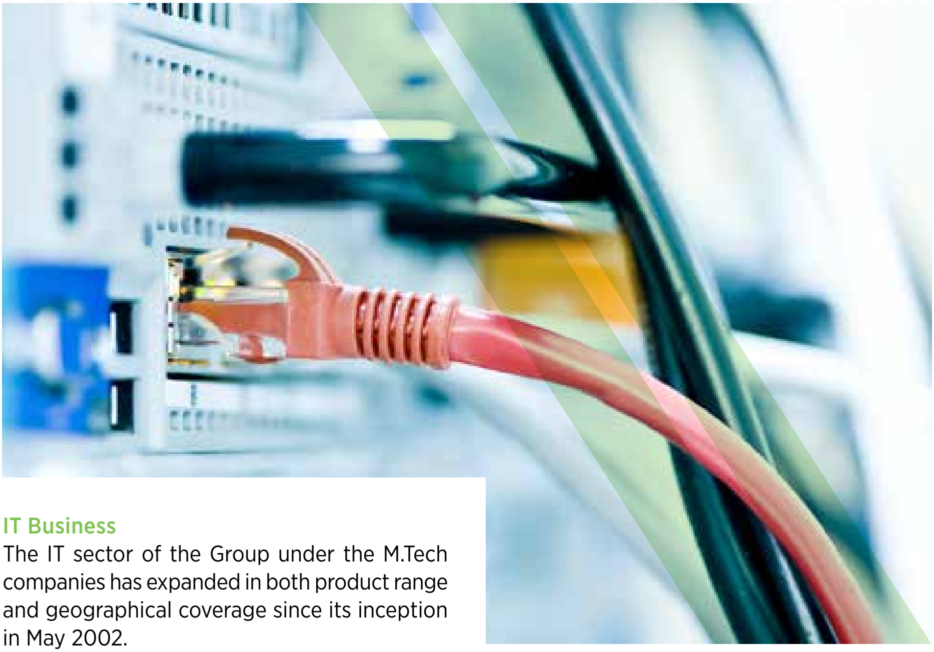
SUSTAINABILITY REPORT

General standard disclosure		Section reference	Page
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	14 - 16
102-43	Approach to stakeholder engagement	Sustainability Report > Stakeholder Engagement	14 - 16
102-44	Key topics and concerns raised	• Sustainability Report > Stakeholder Engagement • Sustainability Report > Material Factors > Total Customer Satisfaction	14 – 16 19 - 20
Reporting practice			
102-45	Entities included in the consolidated financial statements	• Group Structure • Financial Contents > Notes to the Financial Statements > Investments in Subsidiaries	39 125 - 133
102-46	Defining report content and topic Boundaries	Sustainability Report > Sustainability Reporting Processes	17
102-47	List of material topics	Sustainability Report > Material Factors	18 - 27
102-48	Restatements of information	None	-
102-49	Changes in reporting	None	-
102-50	Reporting period	Sustainability Report > Reporting Period and Scope	14
102-51	Date of most recent report	Sustainability Report FY2018	-
102-52	Reporting cycle	Sustainability Report > Reporting Period and Scope	14
102-53	Contact point for questions regarding the report	Sustainability Report > Feedback	14
102-54	Claims of reporting in accordance with the GRI Standards and GRI content index	• Sustainability Report > Reporting Framework • Sustainability Report > GRI Content Index	14 28 - 31
102-55	GRI content index	Sustainability Report > GRI Content Index	28 - 31
102-56	External assurance	We may seek external assurance in the future	-

SUSTAINABILITY REPORT

General standard disclosure		Section reference	Page
Management approach			
103-1	Explanation of the material topic and its Boundary	Sustainability Report > Material Factors	18 - 27
103-2	The management approach and its components	• Sustainability Report > Board Statement • Sustainability Report > Policy, Practice and Performance Reporting • Sustainability Report > Material Factors	13 16 - 18 18 - 27
103-3	Evaluation of management approach	Sustainability Report > Material Factors	18 - 27
Category: Economic			
201-1	Direct economic value generated and distributed	• Sustainability Report > Material Factors > Sustainable Business Performance • Operations Review • Financial Highlights • Financial Review • Financial Contents > Statements of Financial Position • Financial Contents > Consolidated Income Statement • Financial Contents > Consolidated Income Statement and Statement of Comprehensive Income	25 - 26 32 - 33 40 - 44 45 - 50 84 – 85 86 87
205-3	Confirmed incidents of corruption and actions taken	Sustainability Report > Material Factors > Proactive Anti-Corruption Practices	26
Category: Environmental			
306-2	Waste by type and disposal method	Sustainability Report > Material Factors > Responsible Waste Management	24 - 25
Category: Social			
404-2	Programs for upgrading employee skills and transition assistance programs	Sustainability Report > Material Factors > Employee Training and Development	23
405-1	Diversity of governance bodies and employees	Sustainability Report > Material Factors > Equality and Diversity in the Workplace	21 - 23
413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability Report > Material Factors > Ongoing Community Engagement	23 - 24

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 FY2019, the Group added more leading products, including Accedian, Attivo, Cyberbit, Entrust Datacard, Hitachi Vantara, Klassify, Mist, nCipher, Netwrix, Right-Hand CyberSecurity, Silverfort and Spirent 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.

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OPERATIONS REVIEW

PCB Business

Revenue for PCB Business of the Group decreased from $6.7M in FY2018 to $2.4M in FY2019, mainly due to significant reduction of manufacturing capacity of the Group resulting from disposal of the machines in China in year 2019.

With the significant reduction in the number of machines, the revenue growth in PCB division is expected to be limited.

As at 31 December 2019, the Group has 2 laser drilling machines and 7 CNC drilling machines.

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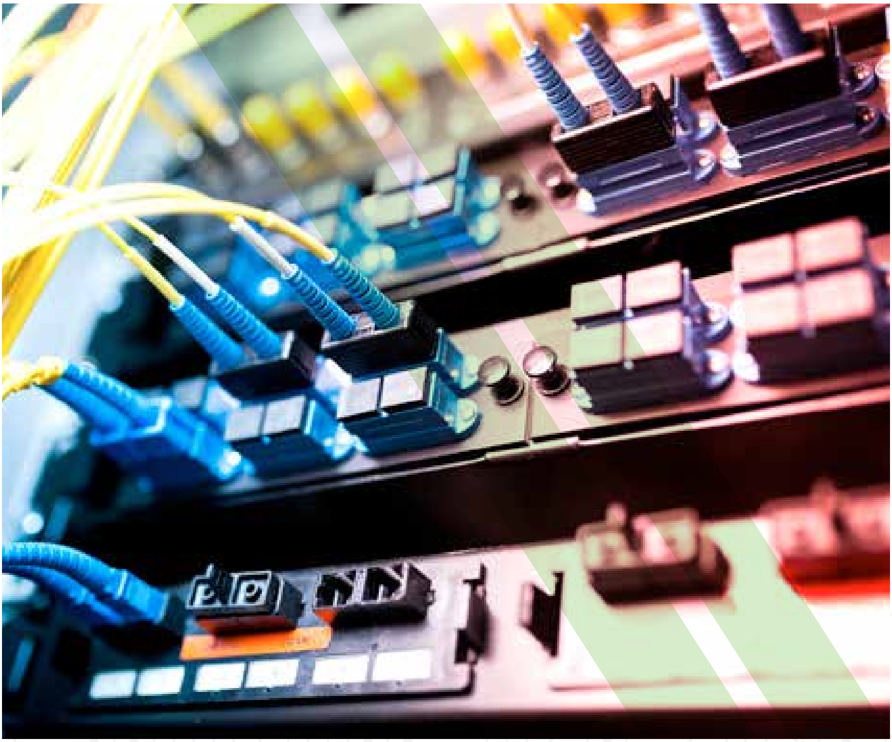


PROSPECTS AND FUTURE PLAN

IT Business

The IT business through Singapore and the regional offices achieved a year-on-year revenue growth of 6.8% 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 Carbon Black, Check Point, CyberArk, Imperva, Proofpoint, Riverbed, RSA, Solarwinds, Symantec (a division of Broadcom) and Trend Micro.

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

As at 31 December 2019, the Group's IT business has a presence in 29 cities in 15 countries in the Asia Pacific Region and Europe. M.Tech offices in countries that are already mature in operations are expected to contribute more to the Group's performance.

The near term outlook in the IT business is dependent on events such as those political or economic in nature and such events could affect business in certain markets. With the recent coronavirus outbreak, the global economic outlook remains uncertain which in turn will affect the Group's business. Though the US has recently cut interest rate, US interest rate remains relatively high from the cumulative increase in the past few

PROSPECTS AND FUTURE PLAN

years and cost of business is expected to remain high. However, IT is still a critical requirement in businesses and security will continue to remain an integral part of the IT infrastructure. This should augur well for the Group's business.

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

PCB Business

Revenue in PCB business dropped by 64.2% on a full year basis, mainly due to significant reduction of manufacturing capacity of the Group resulting from disposal of the machines in China during year 2019.

With the significant reduction in the machines, the revenue growth in PCB division is expected to be limited.

As at 31 December 2019, the Group had 7 mechanical drilling machines and 2 laser drilling machines.

Risk Factors

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

PROSPECTS AND FUTURE PLAN

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.

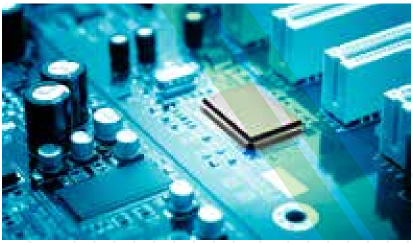
SIGNIFICANT EVENTS

1st Quarter

- Multi-Chem's subsidiary Multi-Chem Electronic (Kunshan) Co., Ltd disposed fixed assets.
- M.Tech distributes Hitachi Vantara in Vietnam.

2nd Quarter

- Multi-Chem's Senior Manager for Business in China Operations Mr Yang Wen Kuai resigned.
- M.Tech held Security Exchange 2019.
- M.Tech distributes Tripwire in Australia, Greater China (including Hong Kong and Macau), India, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
- M.Tech distributes Netwrix in Asia Pacific.
- M.Tech distributes ZecOps in Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
- M.Tech distributes Spirent in India.
- M.Tech distributes Accedian in Australia, Cambodia, Greater China (including Hong Kong and Taiwan), India, Indonesia, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Sri Lanka, Thailand and Vietnam.
- M.Tech distributes Cyberbit in China.



3rd Quarter

- Multi-Chem disposed its property at 16H Enterprise Road, Singapore 627657.
- Multi-Chem changed its registered address to 18 Boon Lay Way, #05-113, Tradehub 21, Singapore 609966.
- Multi-Chem's indirect subsidiary, M.SaaS Solutions Pte. Ltd. incorporated a wholly-owned subsidiary, M.SaaS Lanka (Private) Limited, in Sri Lanka.
- M.Tech distributes SecurityScorecard in Australia, Cambodia, Greater China (including Hong Kong and Taiwan), India, Indonesia, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Sri Lanka, Thailand and Vietnam.
- M.Tech distributes Right-Hand Cyber Security in Australia, New Zealand and Singapore.

4th Quarter

- Multi-Chem's subsidiary Multi-Chem Laser Technology (Suzhou) Co., Ltd. completed member's voluntary liquidation process.
- M.Tech held M.Appreciation Night 2019 in Singapore.
- M.Tech held GiveBack Event in Singapore.
- M.Tech distributes nCipher in Australia and New Zealand.
- M.Tech distributes Silverfort in Hong Kong, Singapore, Thailand and Vietnam.
- M.Tech distributes Armis in Australia, Cambodia, Greater China (including Hong Kong and Taiwan), India, Indonesia, Korea, Malaysia, Myanmar, Philippines, Singapore, Sri Lanka, Thailand and Vietnam.

FINANCIAL CALENDAR

APRIL 2019
29
Annual General Meeting and announcement of 2019 1st quarter results

JULY 2019
26
Announcement of 2019 half year results

NOVEMBER 2019
01
Announcement of 2019 3rd quarter results

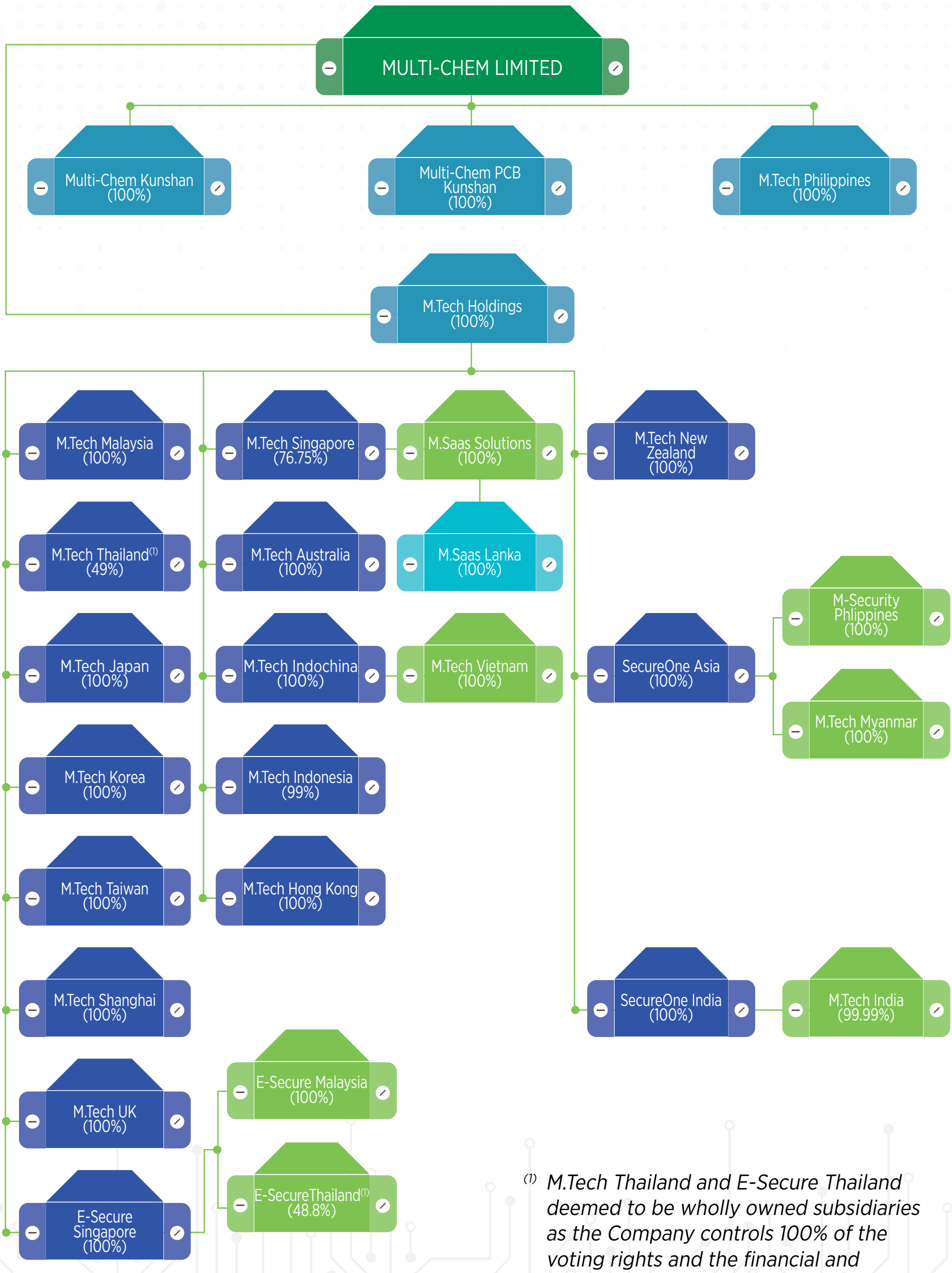
FEBRUARY 2020
14
Announcement of 2019 full year results

APRIL 2020
29
Annual General Meeting

AUGUST 2020
Announcement of 2020 half year results

FEBRUARY 2021
Announcement of 2020 full year results

GROUP STRUCTURE



(1) 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)	2019	2018	2017	2016	2015
Property, plant and equipment	10,169	12,451	10,571	17,431	20,673
Investment in life insurance plan	4,333	4,260	4,092	4,290	4,047
Other non-current assets	11,540	5,077	3,812	3,934	4,383
Current assets	239,890	210,953	211,388	167,726	157,970
Current liabilities	(144,644)	(119,326)	(117,327)	(85,475)	(86,361)
Net current assets	95,246	91,627	94,061	82,251	71,609
Long term borrowings	(410)	(869)	(1,310)	(1,956)	(2,789)
Deferred tax liabilities	(673)	(482)	(65)	(4)	-
Other non-current liability	(5,747)	(3,190)	(2,296)	(1,380)	(219)
	114,458	108,874	108,865	104,566	97,704
Share capital	37,288	37,288	37,288	37,288	37,288
Foreign currency translation (account)/reserve	(1,413)	(465)	500	3,433	4,670
Other reserves	2,531	3,499	5,692	5,563	5,356
Retained earnings	65,209	59,415	57,308	50,388	43,699
	103,615	99,737	100,788	96,672	91,013
Non-controlling interest	10,843	9,137	8,077	7,894	6,691
	114,458	108,874	108,865	104,566	97,704

FINANCIAL HIGHLIGHTS

GROUP PROFIT & LOSS

Year Ended ($'000)	2019	2018	2017	2016	2015
Turnover	**455,795**	431,330	415,951	361,450	347,057
Gross profit	**65,907**	60,736	60,198	56,663	52,690
Other income	**3,457**	1,850	5,459	3,427	2,404
Earnings before interest, tax, depreciation & amortisation (EBITA)	**18,260**	14,600	18,917	19,262	14,306
Depreciation & amortisation	**(2,777)**	(2,167)	(2,831)	(4,186)	(4,867)
Interest expense	**(923)**	(541)	(392)	(443)	(648)
Profit from operations	**14,560**	11,892	15,694	14,633	8,791
Share of results of an associate	**-**	-	-	-	(30)
Profit before income tax	**14,560**	11,892	15,694	14,633	8,761
Income tax expense	**(4,808)**	(5,219)	(3,855)	(3,836)	(2,739)
Net profit	**9,752**	6,673	11,839	10,797	6,022
Non-controlling interests	**(1,916)**	(1,108)	(872)	(1,057)	(1,243)
Equity holders of the Company	**7,836**	5,565	10,967	9,740	4,779

ANALYSIS (%)

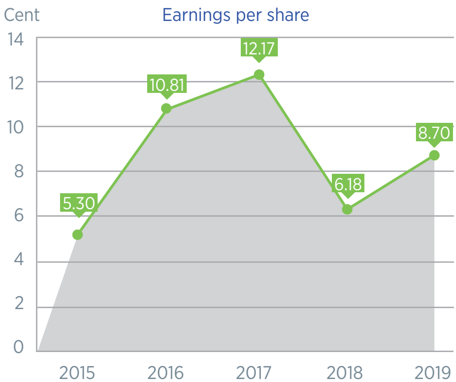
Year	2019	2018	2017	2016	2015
Gross profit margin	**14.5**	14.1	14.5	15.7	15.2
PBT margin	**3.2**	2.8	3.8	4.0	2.5
Turnover increase	**5.7**	3.7	15.1	4.1	19.0
Operating profit increase/(decrease)	**22.4**	(24.2)	7.3	66.5	15.4
Net profit increase/(decrease)	**46.1**	(43.6)	9.7	79.3	11.6

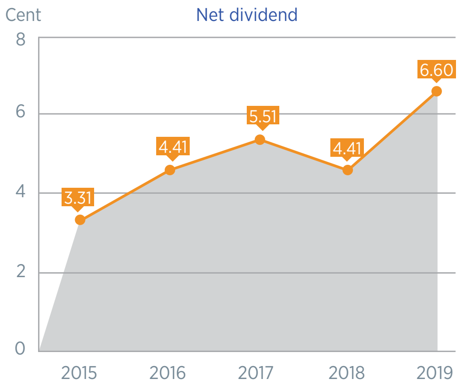
FINANCIAL HIGHLIGHTS

PER SHARE DATA
(cents, unless otherwise stated)

	2019	2018	2017	2016	2015
Net earnings (basic)[1]	**8.70**	6.18	12.17	10.81	5.30
Net earnings (fully diluted)[2]	**8.70**	6.18	12.17	10.81	5.30
Net dividend	**6.60**	4.41	5.51	4.41	3.31
Net dividend payout (times)	**0.76**	0.71	0.45	0.41	0.62
Net assets value[3]	**115.01**	110.7	111.87	107.30	101.02
Gross dividend	**6.60**	4.41	5.51	4.41	3.31
Gross dividend yield (%)[4]	**8.46**	5.73	6.33	6.68	6.9

	2019	2018	2017	2016	2015
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	78.0	77.0	87.0	66.0	48.0

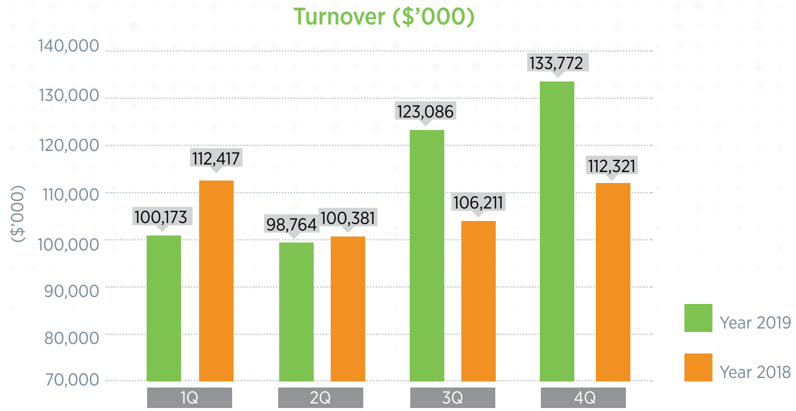


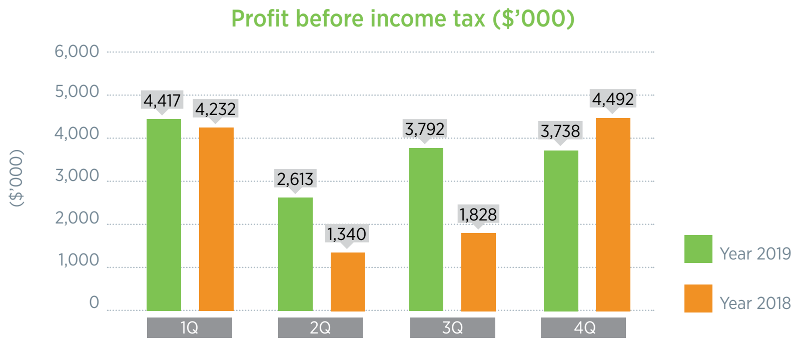


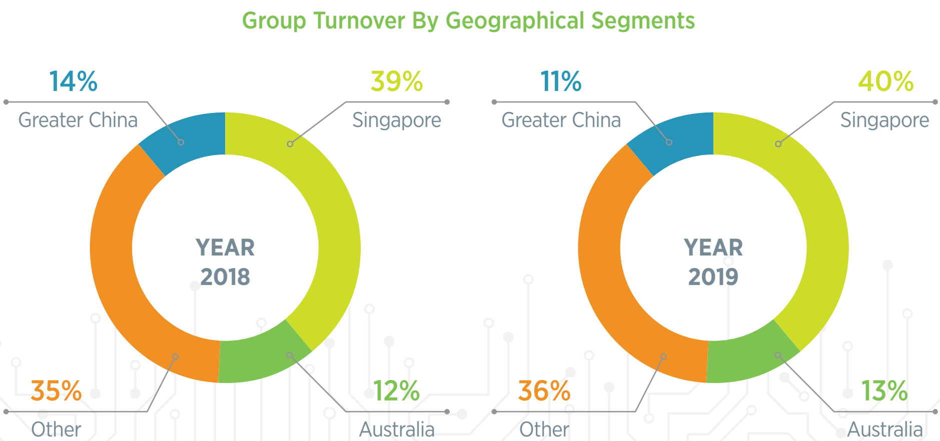
FINANCIAL RATIOS

	2019	2018	2017	2016	2015
Current ratio (times)	**1.66**	1.77	1.80	1.94	1.83
Return on shareholder's funds (%)	**7.56**	5.58	10.88	10.08	5.25
Return on assets employed (%)	**2.95**	2.39	4.77	5.04	2.55
Debt equity ratio	**0.20**	0.19	0.24	0.11	0.23
Debt interest cover	**0.77**	0.73	0.76	1.92	0.69

FINANCIAL HIGHLIGHTS







FINANCIAL HIGHLIGHTS

SEGMENTAL INFORMATION

BY BUSINESS SEGMENTS

Year Ended ($'000)	PCB Business 2019	PCB Business 2018	IT Business 2019	IT Business 2018	Total 2019	Total 2018
Turnover						
1st Quarter	**782**	2,254	**99,391**	110,163	**100,173**	112,417
2nd Quarter	**572**	1,119	**98,192**	99,262	**98,764**	100,381
3rd Quarter	**464**	1,815	**122,622**	104,396	**123,086**	106,211
4th Quarter	**544**	1,515	**133,228**	110,806	**133,772**	112,321
	2,362	6,703	**453,433**	424,627	**455,795**	431,330
Segment results						
1st Quarter	**835**	916	**3,582**	3,316	**4,417**	4,232
2nd Quarter	**(1,377)**	(17)	**3,990**	1,357	**2,613**	1,340
3rd Quarter	**(908)**	(881)	**4,700**	2,709	**3,792**	1,828
4th Quarter	**(1,064)**	(759)	**4,802**	5,251	**3,738**	4,492
	(2,514)	(741)	**17,074**	12,633	**14,560**	11,892

BY GEOGRAPHICAL SEGMENTS

Year Ended ($'000)	Singapore 2019	Singapore 2018	Greater China 2019	Greater China 2018	Australia 2019	Australia 2018	Others 2019	Others 2018	Total 2019	Total 2018
1st Quarter	**39,885**	46,642	**11,076**	16,797	**11,084**	11,233	**38,128**	37,745	**100,173**	112,417
2nd Quarter	**34,967**	41,437	**9,350**	10,931	**15,278**	15,522	**39,169**	32,491	**98,764**	100,381
3rd Quarter	**53,352**	40,323	**17,007**	14,250	**13,470**	15,057	**39,257**	36,581	**123,086**	106,211
4th Quarter	**55,557**	39,231	**14,415**	19,117	**16,826**	12,117	**46,974**	41,856	**133,772**	112,321
	183,761	167,633	**51,848**	61,095	**56,658**	53,929	**163,528**	148,673	**455,795**	431,330

FINANCIAL REVIEW

REVENUE

The Group achieved revenue of $133.8M for the three months ended 31 December 2019 ("4Q2019"), an increase of 19.1% or $21.5M compared to the revenue of $112.3M for the three months ended 31 December 2018 ("4Q2018"). For the twelve months ended 31 December 2019 ("12M2019"), the Group achieved revenue of $455.8M, a year-on-year increase of 5.7% or $24.5M, compared to revenue of $431.3M achieved for the twelve months ended 31 December 2018 ("12M2018").

Comparing 4Q2019 to three months ended 30 September 2019 ("3Q2019"), the Group revenue increased by 8.7% or $10.7M, from $123.1M in 3Q2019 to $133.8M in 4Q2019.

For 4Q2019, the IT Division accounted for 99.6% of the Group's revenue, while the PCB Division accounted for the remaining 0.4% of the Group's revenue.

FINANCIAL REVIEW

IT Business

The IT Distribution business achieved quarterly revenue of $133.3M in 4Q2019, an increase of 20.3% or $22.5M, from $110.8M in 4Q2018. On a twelve months basis, this business grew by 6.8% or $28.8M, from $424.6M in 12M2018 to $453.4M in 12M2019.

Comparing 4Q2019 to 3Q2019, revenue increased by 8.7% or $10.7M, from $122.6M in 3Q2019 to $133.3M in 4Q2019.

The increase in revenue 12M2019 was mainly due to few big transactions closed during the year, especially in 4Q2019.

PCB Business

Revenue in this Division decreased by 66.7% or $1.0M, from $1.5M in 4Q2018 to $0.5M in 4Q2019. On a twelve months basis, revenue in this division decreased by 64.2% or $4.3M, from $6.7M in 12M2018 to $2.4M in 12M2019. The decrease in revenue was mainly due to significant reduction of manufacturing capacity of the Group resulting from disposal of the machines in China during 12M2019.

Comparing 4Q2019 to 3Q2019, revenue in this Division remained unchanged at $0.5M.

PROFIT BEFORE TAX (“PBT”)

The Group registered a PBT of $3.7M in 4Q2019, as compared to $4.5M in 4Q2018.

The decrease in PBT was mainly due to the following:

(1) Loss allowance on third party trade receivables of $2.3M in 4Q2019, as compared to a reversal of allowance of $149,000 in 4Q2018, based on the impairment review performed in 4Q2019 in accordance to SFRS(I) 9;

(2) An increase in staff costs by $776,000 in 4Q2019 as compared to 4Q2018, mainly due to the increase in headcount in IT division and increase in sales commission as a result of the increase in revenue in 4Q2019;

(3) Net foreign exchange loss of $11,000 in 4Q2019, as compared to a net foreign exchange gain of $518,000 in 4Q2018, mainly due to the depreciation of United States dollar against Singapore dollar in 4Q2019. Excluding net foreign exchange difference, the Group reported a PBT of $3.7M in 4Q2019, compared to a PBT of $4.0M in 4Q2018;

(4) An increase in allowance for inventory obsolescence of $112,000 from $643,00 in 4Q2018 to $755,000 in 4Q2019 based on the review of inventory obsolescence performed as at 31 December 2019; and

FINANCIAL REVIEW

(5) Depreciation of right-of-use assets of $363,000 in 4Q2019 on operating leases for the Group as lessee, recognised in accordance with SFRS(I) 16 adopted on 1 January 2019. Total expenses charged to profit and loss including depreciation of right-of-use assets, finance costs on lease liabilities and rental expenses for short-term leases amounted to $438,000 in 4Q2019, which increased by $28,000 from the rental expenses of $410,000 in 4Q2018. In 4Q2018, the rental payable under operating leases was recognised as rental expenses in profit and loss.

The drop in PBT was however ameliorated by the following:

(1) An increase of $2.6M in gross profit mainly due to the increase in revenue;

(2) A decrease in depreciation expenses of $255,000 from $608,000 in 4Q2018 to $353,000 in 4Q2019, mainly due to the disposals of machines in 2019; and

(3) Bad third party trade receivables written off of $283,000 in 4Q2018. There is no such write off in 4Q2019.

Comparing 4Q2019 to 3Q2019, the Group PBT stood at $3.7M in 4Q2019 as compared to $3.8M in 3Q2019.

PROFIT AFTER TAX ("PAT")

In 4Q2019, the Group achieved PAT of $2.2M as compared to $2.8M in 4Q2018, mainly due to the decrease in PBT, offset by the decrease in tax expenses from $1.7M in 4Q2018 to $1.5M in 4Q2019. The decrease in tax expenses was mainly due to lower profit attained in 4Q2019 as compared to 4Q2018.

Comparing 4Q2019 to 3Q2019, Group PAT decreased by 18.5% or $0.5M, from a profit after tax of $2.7M in 3Q2019 to a profit of $2.2M in 4Q2019. The decrease was mainly due to the increase in income tax expenses for entities with higher taxable profit generated in 4Q2019 as compared to 3Q2019.

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 2019 compared to 31 December 2018.

Property, plant and equipment decreased by $2.3M and $856,000 at the Group and the Company level mainly due to depreciation charge and disposal of property, plant and equipment, net of reversal of impairment loss of laser drilling machines and purchases of plant and equipment in Year 2019.

FINANCIAL REVIEW

Investment in subsidiaries decreased by $11.3M at the Company level due to capital return from one subsidiary liquidated in 2019, capital reduction in one subsidiary in 2019 and impairment loss in investment in a subsidiary recognized in 4Q2019.

Right-of-use assets at the Group level refers to assets recognized on operating leases for the Group and the Company as lessee, in accordance to SFRS(I) 16 adopted on 1 January 2019. The right-of-use assets as at 31 December 2019 were mainly related to leases of the offices occupied by the Group and the Company in various locations and office equipment used by the Group.

Cash and cash equivalents at the Group level increased by $3.0M from $56.6M to $59.6M. The increase was mainly due to proceeds from disposal of property, plant and equipment and proceeds from bank borrowings, net of purchase of inventories. At the Company level, cash and cash equivalents increased from $6.5M to $9.3M mainly due to repayment from a subsidiary, capital return received from subsidiaries, net of repayment of bank borrowings.

Trade and other receivables of the Group level increased by $18.3M from $120.2M to $138.5M, mainly due to higher revenue attained in 4Q2019. At the Company level, trade and other receivables decreased by $2.0M from $33.7M to $31.7M, mainly due to repayment from a subsidiary.

Inventories at the Group level increased by $8.4M from $31.3M to $39.7M mainly due to increased purchases to cater for contracts not yet fulfilled. Inventories at Company level remain relatively unchanged.

Current income tax recoverable increased by $1.7M from $2.8M to $4.5M at the Group level mainly due to increase in tax deducted at source and tax estimates overpaid in Year 2019. There was no current income tax recoverable at the Company level.

Trade and other payables increased by $17.7M from $86.0M to $103.7M at the Group level mainly due to increased purchases in correspond to the increase in revenue in 4Q2019 and to cater for contracts not yet fulfilled. At the Company level, trade and other payables increased from $2.1M to $2.7M mainly due to the increase in accrued operating expenses in Year 2019.

Contract liabilities increased by $2.3M from $14.9M to $17.2M at the Group level mainly due to increase in advance billings to customers and deferred revenue. At Company level, contract liabilities decreased by $8,000 due to revenue recognised from advance billings in Year 2019.

Bank borrowings increased at the Group level mainly due to the drawdown of bank borrowing to finance the increased working capital requirement of the Group. At the Company level, bank borrowings decreased mainly due to repayments made to the financial institutions.

Lease liabilities at the Group level refers to liabilities recognized on operating leases for the Group and the Company as lessee, in accordance to SFRS(I) 16 adopted on 1 January 2019.

FINANCIAL REVIEW

Foreign currency translation account increased by $948,000 from $465,000 to $1.4M at the Group level mainly due to depreciation of United States dollar and Chinese renminbi against Singapore dollar.

Other reserves decreased by $1.0M from $3.5M to $2.5M mainly due to disposal of one subsidiary during year 2019.

INDEBTEDNESS

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

Year Ended ($'000)	2019	2018
Due within 1 year:		
Bank borrowings	22,895	19,558
Due after 1 year:		
Bank borrowings	410	869
Total debt	23,305	20,427
Debt equity ratio	0.20	0.19
Debt interest cover	0.77	0.73

Working capital of the Group stood at $95.2M and $91.6M as at 31 December 2019 and 31 December 2018 respectively. The increase was mainly due to the increase in trade and other receivables and inventories, cash and bank balances, net of the increase in trade and other payables, contract liabilities and bank borrowings.

At the Company level, working capital stood at $30.1M and $28.2M as at 31 December 2019 and 31 December 2018 respectively. Current assets at the Company level as at 31 December 2019 comprised mainly trade and other receivables of $31.7M, and this decreased by 5.9% from $33.7M as at 31 December 2018 mainly due to repayment from a subsidiary. Cash and bank balances increased by $2.8M from $6.5M as at 31 December 2018 to $9.3M as at 31 December 2019 mainly due to repayment from a subsidiary, capital return received from subsidiaries, net of repayment of bank borrowings. 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 long term loan to finance the Company's investment in life insurance plan.

FINANCIAL REVIEW

CASH FLOW ANALYSIS

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

Year Ended ($'000)	2019	2018
Cash flows provided by/(used in) operating activities	3,202	(3,871)
Cash flows provided by/(used in) investing activities	1,890	(4,340)
Cash flows (used in)/provided byfinancing activities	(4,509)	3,146
Net increase/(decrease) in cash and cash equivalents	583	(5,065)
Cash and cash equivalents at beginning of the financial year	50,400	57,152
Effect of exchange rate changes on cash and cash equivalents	(451)	(1,687)
Cash and cash equivalents at end of the financial year	50,532	50,400

Net cash of $3.2M was generated from operating activities in 12M2019, as compared to net cash of $3.9M used in 12M2018. This was mainly due to higher profit before income tax attained, increase in both trade and other receivables and trade and other payables owing to higher business volume.

Net cash of $1.9M was generated from investing activities in 12M2019, as compared to net cash of $4.3M used in 12M2018. The change was mainly due to proceeds from disposal of property, plant and equipment of $3.2M, net of purchase of plant and equipment of $1.2M in 12M2019, as compared to purchase of property, plant and equipment of $4.8M, net of proceeds from disposal of plant and equipment of $411,000 in 12M2018.

Net cash of $4.5m was used in financing activities in 12M2019, as compared to net cash of $3.1M generated from in 12M2018. This was mainly due to repayment of bank borrowings of $54.1M, dividend paid 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, as compared to proceeds from bank borrowings of $68.8M and a lift in fixed deposits pledged of $13.5M, net of repayment of bank borrowings of $73.5M and dividend paid of $5.0M in 12M2018. Repayment of lease liabilities refers to rentals paid on operating leases net of related finance costs.

Cash and cash equivalents stood at $50.5M as at end of 31 December 2019, up from $50.4M as at end of 31 December 2018.

VALUE ADDED STATEMENT

Year Ended	2019	2018
	$'000	$'000
Sales	455,795	431,330
Purchase of goods & services	(404,361)	(380,951)
Gross value added from operations	51,434	50,379
Other operating income	3,377	1,850
Exchange gain/(loss)	80	(2,506)
Total value added	54,891	49,723
Distribution:		
To employees in salaries & other staff related costs	36,631	35,123
To government in corporate and other taxes	4,808	5,219
To providers of capital		
– Finance costs	923	541
Retained in the business		
– Depreciation and amortisation	2,777	2,167
– Non-controlling interests	1,916	1,108
– Retained earnings	7,836	5,565
Total distribution	54,891	49,723
Productivity Data		
Average numbers of employees	650	707
Sales per employee ($'000)	701	610
Value added per employee ($'000)	84	70
Value added per $ employment cost	1.50	1.42
Value added per $ net sales	0.12	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 will announce 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 while its IT security arm has its own website 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 the quarterly reports. 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 who 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 2019, 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 2019.

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.

CORPORATE GOVERNANCE REPORT

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 to coincide with the announcement of the Group's quarterly results. 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 2019 and the attendance of every board member 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)	4	4	4	4	1	1	1	1
Foo Suan Sai (Chief Executive Officer)	4	4	–	–	–	–	1	1
Han Juat Hoon (Chief Operating Officer)	4	4	–	–	–	–	–	–
Foo Fang Yong (Executive Director)	4	3	–	–	–	–	–	–
Wong Meng Yeng (Non-executive and Independent Director)	4	4	4	4	1	1	1	1
Neo Mok Choon (Non-executive and Independent Director)	4	3	4	3	1	1	1	1
Foo Maw Shen (Non-executive and Independent Director)	4	4	4	4	1	1	1	1

The Company circulates the reports relating to operational and financial performance of the Group and Company prior to the Board meetings held quarterly. Additional reports are also available upon request. Where a physical meeting is not possible, timely communication with members of the Board is effected through electronic means which include electronic mail and teleconferencing. Monthly management accounts are also provided to the Directors. 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.

CORPORATE GOVERNANCE REPORT

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. In 2019, the Company Secretary briefed the Board on the 2018 Code and works with the Board and Management on the implementation of the 2018 Code. The Company Secretary attends all Board 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.
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 also reviewed independence of Directors 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 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

CORPORATE GOVERNANCE REPORT

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 FY2019 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 and Mr Lim, 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 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.

The Board had discussed the transitional arrangements under Rule 210(5)(d)(iii) which will take effect from 1 January 2022 regarding continued appointment as independent director for directors who have served in the Board for an aggregate period of more than 9 years must be sought and approved in separate resolutions by (i) all shareholders and (ii) all shareholders excluding shareholders who also serve as the directors or chief executive officer (and their associates) ("two-tier voting system"). The implementation of the mandatory two-tier voting system will be scheduled in the Annual General Meeting in calendar year 2021 for the continued appointment as independent directors.

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. In FY2019, the Board adopted a diversity policy and worked towards implementing the objectives of a diverse Board to enhance its performance.

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The Board acknowledges the important contribution of non-executive directors although 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 2019, 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 4, 5, 59 and 60 of the Annual Report.

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

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 established in writing the division of responsibilities between the Chairman and the CEO in FY2019.

The Chairman is independent with each Board Committee chaired and led by an Independent Director. There is a balance of power 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 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.

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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;

(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 the Company's Constitution. Pursuant to Rule 720(5) of the Listing Manual, Mr Foo Suan Sai offered himself for re-election as a director of the Company. Mr Neo Mok Choon and Mr Foo Maw Shen 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 Mr Foo Suan Sai, Mr Neo Mok Choon and Mr Foo Maw Shen be nominated for re-election at the AGM. In reviewing the re-appointment/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.

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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.

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	–	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)

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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
Neo Mok Choon	1 August 2012	21 April 2017	Independent Director	Chairman of Audit and Risk Management Committee, Member of Nominating Committee and Remuneration Committee	None
Foo Maw Shen	31 July 2014	21 April 2017	Independent Director	Member of the Audit and Risk Management Committee, Nominating Committee and Remuneration Committee	Sakae Holdings Ltd. (Resigned on 16 October 2019)

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

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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.

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

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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.

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, 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)	2019	2018
$1.5M to below $1.75M	**1**	-
$1.0M to below $1.25M	**1**	1
$750,000 to below $1.0M	**-**	1
$500,000 to below $750,000	**1**	1
Below $250,000	**4**	4
Total	**7**	7

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The annual remuneration bands (in Singapore Dollars) of the Directors and the key management personnel as at 31 December 2019 are set out below:

FY2019	Base Salary%	Variable Bonus%	Profit Sharing %	Benefits %	Fees %	Total %
Directors $1.5M to below $1.75M						
Foo Suan Sai	51	-	45	4	-	100
$1.0M to below $1.25M						
Han Juat Hoon	48	-	47	5	-	100
$500,000 to below $750,000						
Foo Fang Yong	56	-	41	3	-	100
Below $250,000						
Wong Meng Yeng	-	-	-	-	100	100
Lim Keng Jin	-	-	-	-	100	100
Neo Mok Choon	-	-	-	-	100	100
Foo Maw Shen	-	-	-	-	100	100
Key management personnel $250,000 to below $500,000						
Goh Tian Keong Winston	52	-	15	33	-	100
Lim Kok Soon Rayson	54	46	-	-	-	100
Pui Boon Tiong Eugene	54	42	-	4	-	100
Below $250,000						
Koh Henry	70	26	-	4	-	100
Yang Wen Kuai*	20	-	-	80	-	100

* Resigned on 31 May 2019.

For reasons of competition, the Company is not disclosing each individual Director's remuneration.

Instead, the Company is disclosing the remuneration of each Director in bands of $250,000. The Group remunerates its key management personnel competitively. To maintain confidentiality of staff remuneration and securing the very best talented personnel especially in the competitive IT distribution and IT training business, the Company is not disclosing the aggregate remuneration paid to the key management personnel of the Group in this report.

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.

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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 FY2019.

The Company does not have any employee share scheme.

Summary of activities of RC in 2019 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 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 Audit and Risk Management Committee 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.

Management presented its annual report to the Audit and Risk Management Committee and the Board on the Group's risk profile, status of risk mitigation action plans and results of various assurance activities carried out during FY2019 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 FY2019, control self-assessment was performed using the Orion ERM system.

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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 Audit and Risk Management Committee 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 2019 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 Audit and Risk Management Committee ("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.

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;

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- 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 quarterly, 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;
- 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 2019 are set out on page 156 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 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 four 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 FY2019, 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.

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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 77 of the Annual Report.

The ARMC has received the Audit Quality Indicators Disclosure Framework relating to FY2019 from the external auditor. The external auditor has reported to the ARMC on the Key Audit Matters ("KAM") in respect of FY2019 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 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"), a professional service firm and the internal auditor reports directly to the Chairman of the ARMC. The ARMC approves the appointment, evaluation and fees of the internal audit firm. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the ARMC.

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.

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 2019 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 appropriate standing within the Company.

Summary of activities of the ARMC in 2019:
- 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.

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- 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 quarterly financial statements and announcements 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.
- 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.
- Meeting with the external auditor and internal auditor without presence of Management.

SHAREHOLDER RIGHTS AND ENGAGEMENT

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 are 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.

CORPORATE GOVERNANCE REPORT

All Directors including the chairpersons of the ARMC, NC and RC are present at the AGM and available to address questions. The external auditors are also 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 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.

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 publishes minutes of general meetings on its corporate website as soon as practicable.

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 4.41 cent (Singapore) per ordinary share for FY2018. Subject to approval of members at the forthcoming AGM, the Directors have declared a final dividend tax exempt (1-tier) of 4.40 cents per ordinary share and special tax exempt (one-Tier) dividend of 2.20 cents per ordinary share for FY2019.

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. All shareholders of the Company receive the Annual Report and notice of AGM. 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 Company sends Annual Report to all shareholder annually and financial results are disclosed on a quarterly basis through SGXNET within the mandatory period and the information is also available on the Company's website 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 quarterly financial results and press releases and the production of 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 and the Company respond to such questions.

CORPORATE GOVERNANCE REPORT

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 2019 on page 13 to 31 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 two weeks before the announcement of the Company's first three quarter results and one month before the announcement of the Company's 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.

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 FY2019.

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

Manufacturing Services Division
Koh Henry
Lee Thiam Huat Daniel

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 ELECTRONICS (KUNSHAN) CO., LTD.**
  No. 22 Zhangji Road Kunshan E.T.D.
  Zone Kunshan, Jiangsu Province,
  PRC 215300

- **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

CORPORATE DIRECTORY

- **MELBOURNE OFFICE**
  Suite 923, 401 Docklands Drive
  Docklands, Victoria 3008, Australia
  Main Line : (61) 3 8615 9300

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 Sedeno 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**
  3F., No. 10, Lane 360, Sec. 1,
  Neihu Rd., Neihu District,
  Taipei City 114, Taiwan (R.O.C)
  Main Line : (886) 2 2659 9128
  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, 518001
  Main Line : (86-755) 2151 7458
  Main Fax : (86-755) 8370 7800

HONG KONG OFFICE:

- **M.TECH PRODUCTS (HK) PTE LIMITED**
  Rm 1401, 14/F, Nanyang Plaza
  57 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 Plaza
  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**
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  1-7-7, Yaesu, Chuo-ku, Tokyo,
  Japan 103-0028
  Main Line : (65) 6516 0088
  Main Fax : (65) 6862 6558

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- **M.TECH PRODUCTS KOREA LLC**
  93, Gyesansae-ro, Gyeyang-gu,
  Incheon 20165, Korea
  Main Line : (65) 6516 0088
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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 LTD.**
  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

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 2019 and the statement of financial position of the Company as at 31 December 2019.

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 2019, 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 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 2019	Balance as at 31 December 2019	Balance as at 1 January 2019	Balance as at 31 December 2019
	Number of ordinary shares			
Company				
Foo Suan Sai	36,564,625	36,564,625	25,345,125	25,345,125
Han Juat Hoon	25,345,125	25,345,125	36,564,625	36,564,625
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 2020 in the shares of the Company have not changed from those disclosed as at 31 December 2019.

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 auditors 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	**Han Juat Hoon** Director

Singapore
9 March 2020

INDEPENDENT AUDITORS' 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 84 to 186 which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019;
- 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 2019, 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.

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.

INDEPENDENT AUDITORS' REPORT

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, recognised at a point in time, for the financial year ended 31 December 2019 was $440.9 million, out of which $130.2 million was recognised in the last quarter of the financial year when the Group's customers obtained control of the IT products based on customer acknowledgement for delivery of goods for local sales and the terms and conditions of shipping incoterms for overseas sales.

The appropriateness of the timing of revenue recognition arising from high trading volume in the last quarter of the financial year was identified as a key audit matter because we placed significant attention and efforts on this area as part of our audit approach. Revenue recognised for the financial year from distribution of IT products is also a significant measure of the Group's financial performance.

Related Disclosures

Refer to Notes 2.11 and 25 to the financial statements for the accounting policy on revenue recognition and segregation 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; and
- We checked the credit notes in relation to goods returned issued to customers subsequent to year-end to establish that revenue was recognised in the appropriate financial year.

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

Key Audit Matter

As at 31 December 2019, the Group had gross trade receivables from third parties amounting to $140.1 million with loss allowance amounting to $4.8 million. 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's management oversees the setting of credit limits for the customers and approval of credit limits that are above certain thresholds.

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 which were adjusted to reflect the effects of the current conditions and its forecasts of future economic conditions, taking into account customers' country credit rating and historical provision trends. As a result, there are a number of significant judgements made by the Group's management in measuring the ECL.

We focused on this area as a key audit matter as significant judgements are involved in developing and implementing the provision matrix to measure ECL on trade receivables from third parties.

INDEPENDENT AUDITORS' REPORT

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

Related Disclosures

Refer to Notes 2.9, 3.2, 12 and 35.1 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 performed analysis on the trade receivables ageing report collectively to identify any deterioration in turnover days;
- 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 to be made to historical credit loss rates to reflect future economic conditions and evaluated the reasonableness of the adjustments; and
- We assessed the adequacy of the Group's expected credit loss-related disclosures.

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 auditors' 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 AUDITORS' REPORT

Auditors' 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.

INDEPENDENT AUDITORS' REPORT

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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.

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 auditors' report is Leong Hon Mun Peter.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
9 March 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current assets					
Property, plant and equipment	4	10,169	12,451	1,443	2,299
Investment properties	5	-	-	2,469	2,525
Investment in subsidiaries	6	-	-	9,892	21,201
Club memberships	7	568	498	374	186
Right-of-use assets	8	3,424	-	163	-
Deferred tax assets	9	3,223	2,607	-	-
Financial asset, at FVOCI	10	-	-	-	-
Financial asset, at FVPL	11	4,333	4,260	4,333	4,260
Trade receivables	12	3,941	1,504	-	-
Prepayments	13	384	468	384	468
		26,042	21,788	19,058	30,939
Current assets					
Inventories	14	39,664	31,310	341	305
Trade and other receivables	12	134,564	118,715	31,721	33,652
Prepayments	13	1,549	1,503	119	122
Current income tax recoverable		4,539	2,839	-	-
Fixed deposits	16	25,005	19,024	8,987	6,134
Cash and bank balances	16	34,569	37,562	275	374
		239,890	210,953	41,443	40,587
Less:					
Current liabilities					
Trade and other payables	17	103,684	85,984	2,686	2,059
Contract liabilities	25	14,299	12,086	-	8
Lease liabilities	18	1,145	-	38	-
Bank borrowings	19	22,895	19,558	8,627	10,353
Current income tax payable		2,621	1,696	-	14
Derivative financial instruments	15	-	2	-	-
		144,644	119,326	11,351	12,434
Net current assets		95,246	91,627	30,092	28,153

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019	2018	2019	2018
		$'000	$'000	$'000	$'000
Less:					
Non-current liabilities					
Contract liabilities	25	2,903	2,841	-	-
Lease liabilities	18	2,365	-	107	-
Bank borrowings	19	410	869	410	869
Provision for post-employee benefits	20	479	349	-	-
Deferred tax liabilities	9	673	482	2	-
		6,830	4,541	519	869
Net assets		114,458	108,874	48,631	58,223
Equity					
Share capital	21	37,288	37,288	37,288	37,288
Foreign currency translation account	22	(1,413)	(465)	-	-
Other reserves	23	2,531	3,499	-	-
Retained earnings	24	65,209	59,415	11,343	20,935
Equity attributable to owners of the parent		103,615	99,737	48,631	58,223
Non-controlling interests		10,843	9,137	-	-
Total equity		114,458	108,874	48,631	58,223

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

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Revenue	25	455,795	431,330
Cost of sales		(389,888)	(370,594)
Gross profit		65,907	60,736
Other items of income			
Interest income		613	690
Other income	26	2,844	1,160
Other items of expense			
Selling and distribution costs		(28,088)	(26,036)
Administrative and other expenses		(23,397)	(23,953)
Loss allowance on third party trade receivables		(2,396)	(164)
Finance costs	27	(923)	(541)
Profit before income tax	28	14,560	11,892
Income tax expense	29	(4,808)	(5,219)
Profit for the financial year		9,752	6,673
Profit attributable to:			
Owners of the parent		7,836	5,565
Non-controlling interests		1,916	1,108
		9,752	6,673

	Note	2019	2018
Earnings per share	30		
- Basic		8.70 cents	6.18 cents
- Diluted		8.70 cents	6.18 cents

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

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Profit for the financial year		9,752	6,673
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency differences on translation of foreign operations		(1,101)	(888)
Item that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employee benefits	20	(37)	25
Income tax relating to items that may be or will not be reclassified subsequently		-	-
Other comprehensive income for the financial year, net of tax		(1,138)	(863)
Total comprehensive income for the financial year		8,614	5,810
Total comprehensive income attributable to:			
Owners of the parent		6,851	4,625
Non-controlling interests		1,763	1,185
		8,614	5,810

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital	Foreign currency translation account	Premium on acquisition of non-controlling interests	Statutory reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2019		37,288	(465)	(123)	3,622	59,415	99,737	9,137	108,874
Profit for the financial year		-	-	-	-	7,836	7,836	1,916	9,752
Other comprehensive income for the financial year									
Foreign currency differences on translation of foreign operations		-	(948)	-	-	-	(948)	(153)	(1,101)
Remeasurements of post-employee benefits	20	-	-	-	-	(37)	(37)	-	(37)
Total comprehensive income for the financial year		-	(948)	-	-	7,799	6,851	1,763	8,614
Distributions to the owners of the parent									
Dividends	31	-	-	-	-	(2,973)	(2,973)	-	(2,973)
Transfer from statutory reserve	23	-	-	-	(968)	968	-	-	-
Total transactions with the owners of the parent		-	-	-	(968)	(2,005)	(2,973)	-	(2,973)
Transactions with non-controlling shareholders									
Dividends paid by a subsidiary		-	-	-	-	-	-	(57)	(57)
Total transactions with non-controlling shareholders		-	-	-	-	-	-	(57)	(57)
Balance at 31 December 2019		37,288	(1,413)	(123)	2,654	65,209	103,615	10,843	114,458

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital	Foreign currency translation reserve/ (account)	Premium on acquisition of non-controlling interests	Statutory reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2018		37,288	500	(123)	5,345	57,066	100,076	8,010	108,086
Profit for the financial year		-	-	-	-	5,565	5,565	1,108	6,673
Other comprehensive income for the financial year									
Foreign currency differences on translation of foreign operations		-	(965)	-	-	-	(965)	77	(888)
Remeasurements of post-employee benefits	20	-	-	-	-	25	25	-	25
Total comprehensive income for the financial year		-	(965)	-	-	5,590	4,625	1,185	5,810
Distributions to the owners of the parent									
Dividends	31	-	-	-	-	(4,964)	(4,964)	-	(4,964)
Transfer from statutory reserve	23	-	-	-	(1,723)	1,723	-	-	-
Total transactions with the owners of the parent		-	-	-	(1,723)	(3,241)	(4,964)	-	(4,964)
Transactions with non-controlling shareholders									
Dividends paid by a subsidiary		-	-	-	-	-	-	(58)	(58)
Total transactions with non-controlling shareholders		-	-	-	-	-	-	(58)	(58)
Balance at 31 December 2018		37,288	(465)	(123)	3,622	59,415	99,737	9,137	108,874

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 $'000	2018 $'000
Operating activities		
Profit before income tax	14,560	11,892
Adjustments for:		
Loss allowance on third party trade receivables	2,396	164
Allowance made for inventory obsolescence	2,187	2,075
Bad third party trade receivables written off	29	283
Fair value change in financial asset, at FVPL	(134)	(131)
Fair value change in derivative financial instruments	(2)	(5)
Depreciation of property, plant and equipment	1,621	2,143
Gain on disposal of plant and equipment	(1,077)	(126)
Reversal of impairment loss of plant and equipment	(460)	-
Amortisation of club memberships	19	24
Loss on disposal of club membership	56	-
Depreciation of right-of-use assets	1,137	-
Interest expense	923	541
Interest income	(613)	(690)
Inventories written off	51	25
Plant and equipment written off	17	22
Unrealised foreign exchange gain	(247)	(530)
Operating cash flows before working capital changes	20,463	15,687
Working capital changes:		
Inventories	(11,191)	(2,567)
Trade and other receivables	(22,954)	(21,384)
Prepayments	(20)	(789)
Trade and other payables, and contract liabilities	22,482	10,559
Provision for post-employee benefits	74	91
Cash generated from operations	8,854	1,597
Interest received	506	690
Income tax paid	(6,158)	(6,158)
Net cash generated from/(used in) operating activities	3,202	(3,871)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Investing activities			
Proceeds from disposal of property, plant and equipment		3,245	411
Proceeds from disposal of club membership		38	-
Purchase of club membership		(188)	-
Purchase of property, plant and equipment		(1,205)	(4,751)
Net cash generated from/(used in) investing activities		1,890	(4,340)
Financing activities			
Fixed deposits pledged		(2,693)	13,512
Proceeds from bank borrowings (Note A)		57,139	68,772
Repayments of bank borrowings (Note A)		(54,063)	(73,546)
Repayments of finance lease payables (Note A)		-	(29)
Repayments of lease liabilities (Note A)		(939)	-
Interest paid		(923)	(541)
Dividends paid to owners of the parent		(2,973)	(4,964)
Dividends paid to non-controlling shareholders		(57)	(58)
Net cash (used in)/generated from financing activities		(4,509)	3,146
Net change in cash and cash equivalents		583	(5,065)
Cash and cash equivalents at beginning of financial year		50,400	57,152
Effects of exchange rate changes on cash and cash equivalents		(451)	(1,687)
Cash and cash equivalents at end of financial year	16	50,532	50,400

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Note A: Reconciliation of liabilities arising from financing activities

			Non-cash changes		
	2018	Cash flows	Additions of right-of-use properties under lease liabilities	Foreign exchange differences	2019
	$'000	$'000	$'000	$'000	$'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

			Non-cash change	
	2017	Cash flows	Foreign exchange differences	2018
	$'000	$'000	$'000	$'000
Bank borrowings	25,683	(4,774)	(482)	20,427
Finance lease payables	29	(29)	-	-
	25,712	(4,803)	(482)	20,427

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019 were authorised for issue in accordance with a Directors' resolution dated 9 March 2020.

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 ("$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("$'000") as indicated.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

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.

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.

Changes in accounting policy

New standards, amendments and interpretations effective from 1 January 2019

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement Contains a Lease*. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the statements of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the right-of-use assets will be depreciated and the lease liabilities will be measured at amortised cost. From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16.

The Group and the Company applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying this standard as an adjustment to the opening retained earnings as at 1 January 2019 (the "date of initial application"). The Group and the Company elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed. The definition of lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

In applying the modified retrospective approach, the Group and the Company has taken advantage of the following practical expedients:

- Leases with a remaining term of twelve months from the date of initial application have been accounted for as short-term leases (i.e. not recognised on statement of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months
- For the purpose of measuring the right-of-use asset, hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms) based on circumstances on or after the lease commencement date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019 (Continued)

SFRS(I) 16 Leases (Continued)

As a lessee, the Group and the Company previously classified leases as finance or operating lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under SFRS(I) 16, the Group and the Company recognises right-of-use assets and lease liabilities for most leases. For those low-value assets based on the value of the underlying asset when new and leases with a lease term of 12 months or less, the Group and the Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

On adoption of SFRS(I) 16, the Group and the Company recognised right-of-use assets and lease liabilities in relation to properties and office equipment, which had previously been classified as operating leases.

Lease liabilities from operating leases under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 8.25%.

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment.

The effect of adopting SFRS(I) 16 as at 1 January 2019 was as follows:

	Group Increase/(Decrease) $'000
Assets	
Right-of-use assets	3,558
Prepayments	(28)
Liabilities	
Lease liabilities	3,480
Accrued operating expenses – Reinstatement costs	50

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019 (Continued)

SFRS(I) 16 Leases (Continued)

The aggregate lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 and the Group's operating lease commitments as at 31 December 2018 can be reconciled as follows:

	$'000
Operating lease commitments as at 31 December 2018 (Note 32.1)	4,240
Less: Effect of short-term and low value leases	(159)
Add: Effect of extension options reasonably certain to be exercised	429
	4,510
Effect of discounting using the incremental borrowing rate as at date of initial application	(1,030)
Lease liabilities as at 1 January 2019	3,480

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:

		Effective date (annual periods beginning on or after)
SFRS(I) 1-1, and SFRS(I) 1-8 (Amendments)	: Definition of Material	1 January 2020
SFRS(I) 3 (Amendments)	: Definition of a Business	1 January 2020
SFRS(I) 9, SFRS(I) 1-39, and SFRS(I) 7 (Amendments)	: Interest Rate Benchmark Reform	1 January 2020
SFRS(I) 17	: Insurance contracts	1 January 2021
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
Amendments References to the Conceptual Framework in SFRS (I) Standards		1 January 2020

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I) issued but not yet effective (Continued)

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 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

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 interest 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.5 Investment properties (Continued)

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.

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 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

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.

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. Other than financial assets in a qualifying hedging relationship, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

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 and cash and bank balances in the statements of financial position.

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

The Group and the Company have a strategic investment in unlisted entity which is not accounted for as subsidiary, associate or jointly controlled entity. For those equity investment, the Group and the Company have 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".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

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.

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 deferred revenue and advance billings, 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 provisions determined in accordance with SFRS(I) 9.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.11 Revenue recognition (Continued)

IT business (Continued)

i) Distribution of IT products

Revenue are recognised at point in time when control of the products have 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 are 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 are in accordance with the terms and conditions of 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. A contract liability is recognised for expected volume rebate payable to customers in relation to sales made until the end of the reporting period. When customers are invoiced before products delivery, a contract liability is also recognised for such arrangement.

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, no provision is made for warranty as they are not the liabilities of the Group.

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 upon the completion of the training programme.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.11 Revenue recognition (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

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.

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 operates 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 20 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.

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 20 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.13 Employee benefits (Continued)

Defined benefit plans (Continued)

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

Group 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.

Group and the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.14 Leases (Continued)

Group and the Company as lessee (Continued)

Initial measurement (Continued)

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.

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:

	Years
Properties	2 to 8
Office plant and equipment	2 to 4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.14 Leases (Continued)

Group and the Company as lessee (Continued)

Subsequent measurement (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.14 Leases (Continued)

Group and the Company 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: (Continued)

- 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.

Accounting policy prior to 1 January 2019

Group as lessee

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction of production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs in Note 2.15 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.14 Leases (Continued)

Accounting policy prior to 1 January 2019 (Continued)

Group as lessee (Continued)

Operating leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss 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 economic benefits from the leased asset are consumed.

Group as lessor

Operating leases

Rental income from operating leases (net of any incentives received from 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 economic 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 assets and recognised on a straight-line basis over the lease term.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.16 Income tax (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.17 Foreign currencies transactions and translation (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

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

(ii) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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)

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.

The Group and the Company following the guidance of SFRS(I) 1-36 in determining whether investments in subsidiaries are impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the recoverable amount of an investment in subsidiary is less than its carrying amount and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

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 2019 were $39,664,000 and $341,000 (2018: $31,310,000 and $305,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

Management determines the expected loss arising from default for trade receivables, by using historical credit loss rates which were adjusted to reflect the effects of the current conditions and its forecasts of future economic conditions, taking into account customers' country credit rating and historical provision trends. A loss allowance amounted to $4,846,000 (2018: $2,610,000) was recognised as at 31 December 2019.

Amount due from a subsidiary

Management determines whether there is significant increase in credit risk of 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 2019.

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, industry data available as well as any security 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 2019 as 6.11%. The carrying amount of lease liabilities as at 31 December 2019 was $3,510,000. If the incremental borrowing rate had been 0.5% higher or lower than management's estimates, the Group's lease liabilities would have been lower or higher by $39,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. Property, plant and equipment

	Building	Freehold property	Leasehold properties	Office plant and equipment	Factory plant and machinery	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Cost						
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
Accumulated depreciation and impairment						
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
Carrying amount						
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 2019

4. Property, plant and equipment (Continued)

	Building	Freehold property	Leasehold properties	Office plant and equipment	Factory plant and machinery	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group (Continued)						
Cost						
Balance at 1 January 2018	-	-	6,595	9,122	25,703	41,420
Additions	362	2,580	-	980	829	4,751
Disposals	-	-	-	(600)	(2,954)	(3,554)
Written off	-	-	-	(244)	(3)	(247)
Currency translation adjustment	(21)	(147)	21	(28)	(904)	(1,079)
Balance at 31 December 2018	341	2,433	6,616	9,230	22,671	41,291
Accumulated depreciation and impairment						
Balance at 1 January 2018	-	-	967	6,593	23,289	30,849
Depreciation for the financial year	3	-	153	1,063	924	2,143
Disposals	-	-	-	(488)	(2,781)	(3,269)
Written off	-	-	-	(222)	(3)	(225)
Currency translation adjustment	-	-	3	(31)	(630)	(658)
Balance at 31 December 2018	3	-	1,123	6,915	20,799	28,840
Carrying amount						
Balance at 31 December 2018	338	2,433	5,493	2,315	1,872	12,451

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. Property, plant and equipment (Continued)

	Leasehold properties	Office plant and equipment	Factory plant and machinery	Total
	$'000	$'000	$'000	$'000
Company				
Cost				
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
Accumulated depreciation				
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
Carrying amount				
Balance at 31 December 2019	-	636	807	1,443
Cost				
Balance at 1 January 2018	1,410	2,248	1,536	5,194
Additions	-	60	829	889
Disposals	-	(152)	-	(152)
Balance at 31 December 2018	1,410	2,156	2,365	5,931
Accumulated depreciation				
Balance at 1 January 2018	393	1,684	1,333	3,410
Depreciation for the financial year	52	185	107	344
Disposals	-	(122)	-	(122)
Balance at 31 December 2018	445	1,747	1,440	3,632
Carrying amount				
Balance at 31 December 2018	965	409	925	2,299

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. Property, plant and equipment (Continued)

The details of the Group's freehold property is 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. Investment properties

	Company	
	2019	2018
	$'000	$'000
Cost		
Balance at beginning and end of financial year	**2,791**	2,791
Accumulated depreciation		
Balance at beginning of financial year	**266**	210
Charged for the financial year	**56**	56
Balance at end of financial year	**322**	266
Carrying value		
At end of financial year	**2,469**	2,525

The following amounts are recognised in profit or loss:

	Company	
	2019	2018
	$'000	$'000
Rental income from investment properties	**149**	149
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment property	**25**	26

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. Investment properties (Continued)

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.

The fair value of the Company's investment properties as at 31 December 2019 was approximately $2,510,000 (2018: $2,555,000). The fair value was determined based on the management's estimation by using the Direct Sale Comparison approach by making reference to market evidence of transacted prices per square metre for comparable properties, adjusted for key attributes such as size, tenure, location, condition and prevailing market conditions. 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 are 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.

6. Investments in subsidiaries

	Company	
	2019	2018
	$'000	$'000
Unquoted equity investments, at cost	**26,953**	34,003
Liquidation of a subsidiary	**(7,916)**	(7,050)
Return of capital	**(3,122)**	-
Allowance for impairment losses	**(6,023)**	(5,752)
Carrying amount	**9,892**	21,201

Movements in allowance for impairment losses are as follows:

	Company	
	2019	2018
	$'000	$'000
Balance at beginning of financial year	**5,752**	9,571
Allowance made during the financial year	**5,811**	-
Impairment written off upon liquidation of a subsidiary	**(5,540)**	(3,819)
Balance at end of financial year	**6,023**	5,752

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. Investments in subsidiaries (Continued)

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 approximately $5,811,000 (2018: $Nil) that have been recognised in the Company's profit or loss. The recoverable amount of the investment in a subsidiary of $9,410,000 has been 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

During the 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.

Liquidation of a subsidiary

During the 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 derecognised 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 (Suzhou) Co., Ltd. ("Multi-Chem Suzhou"), had been wound up under member's voluntary liquidation on 6 August 2018. Accordingly, Multi-Chem Suzhou ceased to be a subsidiary of the Company. The cost of investment in Multi-Chem Suzhou and the impairment provided in previous financial year amounted to approximately $7,050,000 and $3,819,000 respectively, have been derecognised upon liquidation of the subsidiary.

Reduction in share capital of a subsidiary

During the 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 $3,123,000 equivalent).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. Investments in subsidiaries (Continued)

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
	2019 %	2018 %	2019 %	2018 %	
Held by the Company					
Multi-Chem Laser Technology (Suzhou) Co., Ltd. (People's Republic of China)	-	100	-	-	Designing, producing, processing PCB and related products, selling own products and providing relevant service
M.Tech Products Philippines, Inc.[g] (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[c] (People's Republic of China)	100	100	-	-	Provision of value-added PCB manufacturing services, mainly in precision drilling, to PCB fabricators
Multi-Chem PCB (Kunshan) Co., Ltd.[c] (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.[a] (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.
M.Tech Products Pte Ltd[a] (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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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
	2019	2018	2019	2018	
	%	%	%	%	
Held by M. Tech Holdings Pte. Ltd. (Continued)					
M-Solutions Technology (Thailand) Co., Ltd.[(d),(e)] (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.[(b)] (Malaysia)	100	100	-	-	Distribution of information technology products and related services
SecureOneAsia Pte. Ltd.[(a)] (Singapore)	100	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.[(a)] (Singapore)	100	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.[(c)] (People's Republic of China)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
PT. M.Tech Products[(f)] (Indonesia)	99	99	1	1	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 2019

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
	2019 %	2018 %	2019 %	2018 %	
Held by M. Tech Holdings Pte. Ltd. (Continued)					
M.Tech Products (HK) Pte Limited[h] (Hong Kong)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech Products TW Pte. Ltd.[a] (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[i] (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.[a] (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[j] (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[j] (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 2019

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
	2019 %	2018 %	2019 %	2018 %	
***Held by M. Tech Holdings Pte. Ltd.* (Continued)**					
M.Tech Products Korea Limited Liability Company[j] (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[j] (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.[a] (Singapore)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
Held by M. Tech Products Pte Ltd					
M.SaaS Solutions Pte. Ltd.[a] (Singapore)	76.75	76.75	23.25	23.25	Software consultancy and implementation services
Held by SecureOneAsia Pte. Ltd.					
M-Security Tech Philippines Inc.[g] (Philippines)	100	100	-	-	Distribution of hardware and software relating to internet and network products, and provision of maintenance services for such products
M.Tech Products Myanmar Ltd.[j] (Republic of the Union of Myanmar)	100	100	-	-	Provision of installation and maintenance services for internet and network products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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
	2019	2018	2019	2018	
	%	%	%	%	
Held by SecureOne India Holding Pte. Ltd.					
M.Tech Solutions (India) Private Limited[l] (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
Held by M-Security Technology Indochina Pte. Ltd.					
M-Security Technology Vietnam Company Limited[k] (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
Held by E-Secure Asia Pte. Ltd.					
E Fortify Asia Sdn. Bhd.[b] (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.[d],[e] (Thailand)	48.80	48.80	51.20	51.20	Distribution of IT products and maintenance services
Held by M.SaaS Solutions Pte. Ltd.					
M.SaaS Lanka (Private) Limited[j] (Sri Lanka)	76.75	-	23.25	-	Provision of IT services, software license sales and hardware sales

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. Investments in subsidiaries (Continued)

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

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

Summarised financial information in relation to the subsidiary 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:

	M.Tech Products Pte Ltd	
	2019	2018
	$'000	$'000
Revenue	**179,642**	157,593
Profit before income tax	**9,896**	5,931
Income tax expense	**(1,654)**	(1,072)
Profit after income tax	**8,242**	4,859
Profit allocated to NCI	**1,916**	1,130
Other comprehensive income allocated to NCI	**-**	-
Total comprehensive income allocated to NCI	**1,916**	1,130
Dividends paid to NCI	**(57)**	(58)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. Investments in subsidiaries (Continued)

Non-controlling interests (Continued)

Summarised financial information in relation to the subsidiary 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: (Continued)

	M.Tech Products Pte Ltd	
	2019	2018
	$'000	$'000
Cash flows used in operating activities	(1,537)	(2,762)
Cash flows (used in)/generated from investing activities	(85)	9
Cash flows (used in)/generated from financing activities	(448)	1,283
Net cash outflows	(2,070)	(1,470)
Assets:		
Current assets	94,314	74,726
Non-current assets	5,672	4,254
Liabilities:		
Current liabilities	49,158	36,634
Non-current liabilities	3,616	2,471
Net assets	47,212	39,875
Accumulated non-controlling interests	10,977	9,266

Significant restriction

Cash and bank balances of $12,808,000 (2018: $12,735,000), equivalent to RMB66,919,000 (2018: RMB64,676,000), 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.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. Club memberships

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Cost				
Balance at beginning of financial year	**578**	580	**186**	186
Addition	**188**	-	**188**	-
Disposal	**(124)**	-	**-**	-
Currency translation adjustment	**(6)**	(2)	**-**	-
Balance at end of financial year	**636**	578	**374**	186
Accumulated amortisation				
Balance at beginning of financial year	**80**	56	**-**	-
Charged for the financial year	**19**	24	**-**	-
Disposal	**(30)**	-	**-**	-
Currency translation adjustment	**(1)**	-	**-**	-
Balance at end of financial year	**68**	80	**-**	-
Carrying value				
Balance at end of financial year	**568**	498	**374**	186

Club memberships comprise memberships for golf clubs in the People's Republic of China and Singapore. Club memberships of subsidiaries which are subject to amortisation over their useful lives have remaining amortisation periods of 21 (2018: 8 to 22) years with a carrying amount of $194,000 (2018: $312,000).

As at 31 December 2019, the Group and the Company had club memberships held in trust by Directors of the Company with carrying amount of $380,000 and $186,000 (2018: $393,000 and $186,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. Right-of-use assets

	Properties	Office equipment	Total
	$'000	$'000	$'000
Group			
Cost			
Balance at 1 January 2019			
- Adoption of SFRS(I) 16 (Note 2.1)	3,518	40	3,558
Additions	1,079	-	1,079
Currency translation adjustment	(91)	-	(91)
Balance at 31 December 2019	4,506	40	4,546
Accumulated depreciation			
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	1,111	11	1,122
Carrying amount			
Balance at 31 December 2019	3,395	29	3,424
Company			
Cost			
Balance at 1 January 2019			
- Adoption of SFRS(I) 16	-	-	-
Additions	177	-	177
Balance at 31 December 2019	177	-	177
Accumulated depreciation			
Balance at 1 January 2019	-	-	-
Depreciation for the financial year	14	-	14
Balance at 31 December 2019	14	-	14
Carrying amount			
Balance at 31 December 2019	163	-	163

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. Deferred tax assets/(liabilities)

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Deferred tax assets	**3,223**	2,607	**-**	-
Deferred tax liabilities	**673**	482	**2**	-

Movements in deferred tax assets are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Balance at beginning of financial year	**2,607**	2,415	**-**	-
Credit to profit or loss	**659**	255	**-**	-
Currency translation adjustment	**(43)**	(63)	**-**	-
Balance at end of financial year	**3,223**	2,607	**-**	-

Movements in deferred tax liabilities are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Balance at beginning of financial year	**(482)**	(65)	**-**	-
Charge to profit or loss	**(191)**	(416)	**2**	-
Currency translation adjustment	**-**	(1)	**-**	-
Balance at end of financial year	**(673)**	(482)	**2**	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

	Provisions	Unutilised tax losses	Other temporary differences	Total
	$'000	$'000	$'000	$'000
Group				
Balance at 1 January 2018	1,682	420	313	2,415
Credit/(Charge) to profit or loss	82	(66)	239	255
Currency translation adjustment	(72)	(17)	26	(63)
At 31 December 2018	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

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.

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

	Accelerated tax depreciation	Provisions	Others	Total
	$'000	$'000	$'000	$'000
Group				
Balance at 1 January 2018	(4)	68	(129)	(65)
Credit/(Charge) to profit or loss	4	(69)	(351)	(416)
Currency translation adjustment	-	1	(2)	(1)
At 31 December 2018	-	-	(482)	(482)
Credit/(Charge) to profit or loss	2	16	(209)	(191)
Currency translation adjustment	-	-	-	-
At 31 December 2019	2	16	(691)	(673)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. Financial asset, at FVOCI

	Group and Company	
	2019	2018
	$'000	$'000
Unquoted equity instruments	-	-

The Group and Company intends to hold this investment for strategic investment purposes in the long term. The Group and Company do not have the intention to dispose the unlisted equity shares in the near future.

11. Financial asset, at FVPL

	Group and Company	
	2019	2018
	$'000	$'000
Investment in life insurance plan, at fair value	4,333	4,260

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

	Group and Company	
	2019	2018
	$'000	$'000
Balance at beginning of financial year	4,260	4,092
Fair value change recognised in profit or loss	134	131
Exchange differences charged to profit or loss	(61)	37
Balance at end of financial year	4,333	4,260

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 19).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Non-current assets				
Trade receivables – third parties	3,941	1,504	-	-
Current assets				
Trade receivables				
- third parties	136,151	116,949	501	660
Loss allowance on third party trade receivables	(4,846)	(2,610)	-	-
	131,305	114,339	501	660
Non-trade receivables				
- third parties	2,058	3,423	107	15
- a subsidiary	-	-	31,099	32,973
	133,363	117,762	31,707	33,648
Deposits	526	447	14	4
Value added tax	675	506	-	-
Total current trade and other receivables	134,564	118,715	31,721	33,652
Total trade and other receivables	138,505	120,219	31,721	33,652

Trade receivables are unsecured, non-interest bearing and generally on 30 to 120 (2018: 30 to 120) days credit terms.

Non-current trade receivables due from third parties are unsecured, non-interest bearing and expected to be settled within 2 to 4 years (2018: 2 to 4 years).

The amounts due from a subsidiary is unsecured, repayable on demand and bears an interest rate of 3% (2018: 2%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 are within level 3 of the fair value hierarchy.

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

	Group	
	2019	2018
	$'000	$'000
Balance at beginning of financial year	2,610	2,509
Loss allowance made/(reversed) during the financial year		
- (reversed)/made for lifetime expected credit loss, not credit impaired	(47)	224
- made/(reversed) for lifetime expected credit loss, credit impaired	2,443	(60)
Currency translation adjustment	(160)	(63)
Balance at end of financial year	4,846	2,610

The Group's loss allowance on third party trade receivables of approximately $2,396,000 (2018: $164,000) was included in "loss allowance on third party trade receivables" line item in profit or loss during the financial year.

As at 31 December 2019, trade receivables of $29,000 (2018: $283,000) were written off 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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Singapore dollar	6,775	2,854	19,378	20,648
United States dollar	85,702	74,350	12,236	12,991
Chinese renminbi	8,634	11,683	107	13
Thailand baht	3,926	6,291	-	-
Indian rupee	7,320	8,781	-	-
Ringgit Malaysia	9,334	4,994	-	-
New Taiwan dollar	4,850	2,778	-	-
Australian dollar	6,383	4,358	-	-
Others	5,581	4,130	-	-
	138,505	120,219	31,721	33,652

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. Prepayments

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Non-current	**384**	468	**384**	468
Current	**1,549**	1,503	**119**	122
	1,933	1,971	**503**	590

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	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Trading goods	**39,664**	31,310	**341**	305

The cost of inventories recognised as an expense and included in "cost of sales" line item in profit or loss amounted to $375,552,000 (2018: $355,543,000).

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 $2,187,000 and $51,000 (2018: $2,075,000 and $25,000) 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 2019

15. Derivative financial instruments

	Group	
	2019	2018
	$'000	$'000
Derivative financial instruments		
Liabilities		
- Forward currency contracts	-	2

The Group uses forward currency contracts to manage some of its foreign currency transaction exposure. These contracts were not designated as cash flow or fair value hedges and were entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives did not qualify for hedge accounting.

The maximum exposure to credit risk at the end of the reporting period is the fair value of the derivative financial instruments in the statements of financial position.

The following details the foreign currency forward contracts outstanding as at each reporting period:

	Group	
	2019	2018
	$'000	$'000
Foreign currency forward contracts		
Contract/Notional amount		
- United States dollar	-	490

The details of forward currency contracts entered are as follows:

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2019	2018	2019	2018	2019	2018	2019	2018
			FC$'000	FC$'000	$'000	$'000	$'000	$'000
Group								
Sell *Malaysian ringgit*								
Less than 1 month	-	3.06	-	1,500	-	490	-	(2)

NOTES TO THE FINANCIAL STATEMENTS

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16. Cash and bank balances

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Bank balances	34,569	37,562	275	374
Fixed deposits	24,959	18,981	8,987	6,134
Cash and bank balances	59,528	56,543	9,262	6,508
Fixed deposits with maturity >3 months	46	43		
	59,574	56,586		
Fixed deposits pledged with banks	(9,042)	(6,186)		
Cash and cash equivalents as per consolidated statement of cash flows	50,532	50,400		

Fixed deposits mature on varying dates between 2 days to 5 months (2018: 2 days to 5 months) from the end of the reporting period. The effective interest rates on the fixed deposits range from 0.10% to 6.80% (2018: 0.15% to 3.00%) per annum.

As at 31 December 2019, the fixed deposits of the Group amounting to $9,042,000 (2018: $6,186,000) were pledged to banks for bankers' guarantees issued on behalf of the Group and as security for banking facilities as disclosed in Note 19 to the financial statements.

Cash and bank balances included in the statements of financial position are denominated in the following currencies:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Singapore dollar	1,741	1,040	114	201
United States dollar	24,127	16,717	149	154
Chinese renminbi	21,165	18,098	8,987	6,134
Ringgit Malaysia	843	5,619	-	-
Thailand baht	3,484	2,353	-	-
Indian rupee	2,223	1,765	-	-
Australian dollar	1,920	5,652	-	-
Others	4,071	5,342	12	19
	59,574	56,586	9,262	6,508

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Trade payables				
- third parties	**73,029**	60,939	**50**	77
Non-trade payables				
- third parties	**16,497**	14,032	**42**	60
- subsidiaries	**-**	-	**-**	7
Accrued operating expenses	**11,869**	8,553	**2,540**	1,872
Value added tax	**2,289**	2,460	**54**	43
Total trade and other payables	**103,684**	85,984	**2,686**	2,059

Trade and non-trade payables are unsecured, non-interest bearing and are generally on 30 to 90 (2018: 30 to 90) days credit terms.

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Singapore dollar	**9,331**	5,855	**2,632**	1,962
United States dollar	**68,752**	59,029	**48**	89
Chinese renminbi	**2,945**	2,008	**-**	-
Ringgit Malaysia	**6,118**	2,972	**-**	-
Thailand baht	**2,090**	1,313	**-**	-
Australian dollar	**6,013**	8,802	**-**	-
New Taiwan dollar	**2,498**	720	**1**	3
Indonesian rupiah	**970**	752	**-**	-
Indian rupee	**3,212**	3,081	**-**	-
Others	**1,755**	1,452	**5**	5
	103,684	85,984	**2,686**	2,059

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. Lease liabilities

	Properties $'000	Office equipment $'000	Total $'000
Group			
Balance at beginning of financial year			
- Adoption of SFRS(I) 16 (Note 2.1)	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 end of financial year	3,479	31	3,510
Company			
Balance at beginning of financial year	-	-	-
Additions	154	-	154
Interest expense	1	-	1
Lease payments			
- Principal portion	(9)	-	(9)
- Interest portion	(1)	-	(1)
Balance at end of financial year	145	-	145

The maturity analysis of lease liabilities of the Group at each reporting date are as follows:

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Contractual undiscounted cash flows				
- Within one year	1,380	-	42	-
- After one year but within five years	2,709	-	112	-
- After five years	245	-	-	-
	4,334	-	154	-
Less: Future interest expense	(824)	-	(9)	-
Present value of lease liabilities	3,510	-	145	-

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18. Lease liabilities (Continued)

The maturity analysis of lease liabilities of the Group at each reporting date are as follows: (Continued)

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Presented in consolidated statement of financial position				
- Current	1,145	-	38	-
- Non-current	2,365	-	107	-
	3,510	-	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). 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 2019, the average incremental borrowing rate applied in the lease liabilities measurement was 6.11%.

Lease liabilities are denominated in the following currencies:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Singapore dollar	285	-	145	-
United States dollar	111	-	-	-
Chinese renminbi	695	-	-	-
Ringgit Malaysia	246	-	-	-
Thailand baht	206	-	-	-
Indonesian rupiah	216	-	-	-
Indian rupee	1,358	-	-	-
Others	393	-	-	-
	3,510	-	145	-

NOTES TO THE FINANCIAL STATEMENTS

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19. Bank borrowings

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Current liabilities				
Secured				
Short term loans	**8,180**	5,750	**8,180**	5,750
Term loan I	**447**	453	**447**	453
	8,627	6,203	**8,627**	6,203
Unsecured				
Short term loans	**14,268**	13,355	**-**	4,150
	22,895	19,558	**8,627**	10,353
Non-current liabilities				
Secured				
Term loan I	**410**	869	**410**	869
	23,305	20,427	**9,037**	11,222

The average effective interest rates per annum of the bank borrowings are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	%	%	**%**	%
Short term loans	**2.65**	2.19	**2.58**	2.41
Term loan I	**3.82**	3.55	**3.82**	3.55

Secured

Short term loans are secured against fixed deposits placed with financial institutions (Note 16).

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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19. Bank borrowings (Continued)

As at the end of the reporting period, the Group and the Company have banking facilities as follows:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Banking facilities granted	**117,938**	133,322	**84,057**	78,822
Banking facilities utilised	**23,305**	20,427	**9,037**	11,222

Bank borrowings are denominated in the following currencies:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Singapore dollar	**8,180**	19,105	8,180	9,900
United States dollar	**14,103**	1,322	857	1,322
New Taiwan dollar	**1,022**	-	-	-
	23,305	20,427	9,037	11,222

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.

20. 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".

	Group	
	2019	2018
	$'000	$'000
Provision for employee service entitlement benefits		
- Post-employment benefit program ("Plan A")	**455**	326
- Other long-term employee benefit program ("Plan B")	**24**	23
	479	349

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20. Provision for post-employee benefits (Continued)

	Group	
	2019	2018
	$'000	$'000
Present value of provision for post-employee benefits	**460**	374
Currency alignment	**19**	(25)
Net benefit liability	**479**	349

The amounts recognised in profit or loss in respect of these employee benefits are as follows:

	Group	
	2019	2018
	$'000	$'000
Current services costs	**82**	81
Interest costs	**28**	21
Actuarial gain	**1**	1
Foreign exchange rate effect	**(1)**	1
	110	104

Changes in the present value of the provision for post-employee benefits are as follows:

	Group	
	2019	2018
	$'000	$'000
Balance at beginning of financial year	**349**	308
Charge to profit or loss	**110**	104
Net remeasurements of post-employee benefits recognised in other comprehensive income	**37**	(25)
Repayment made during the financial year	**(36)**	(13)
Currency realignment	**19**	(25)
Balance at end of financial year	**479**	349

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. Provision for post-employee benefits (Continued)

The cost of providing for employee benefits is calculated by independent actuaries. The actuarial valuations were carried out using the following key assumptions:

	Group	
	2019	2018
Financial assumptions:		
Annual discount rate		
- Plan A	**8.00%**	8.75%
- Plan B	**2.15%**	2.86%
Annual salary growth rate	**10%**	10%
Demographic assumptions:		
Retirement age	**55 years**	55 years

The weighted average duration of the post-employee benefits at the end of the reporting period is 17.55 years (2018: 18.48 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.

21. Share capital

	Group and Company			
	2019	2018	**2019**	2018
	Number of ordinary shares			
	’000	’000	**$’000**	$’000
Issued and fully-paid				
Balance at beginning and end of financial year	**90,095**	90,095	**37,288**	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.

NOTES TO THE FINANCIAL STATEMENTS

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22. 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.

23. Other reserves

	Group	
	2019	2018
	$'000	$'000
Premium on acquisition of non-controlling interests	**(123)**	(123)
China statutory reserve	**2,613**	3,581
Thailand statutory reserve	**41**	41
	2,531	3,499

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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24. Retained earnings

Movements of retained earnings of the Company are as follows:

	Company	
	2019	2018
	$'000	$'000
Balance at beginning of financial year	20,935	23,114
Total comprehensive income for the financial year	(6,619)	2,785
Dividends (Note 31)	(2,973)	(4,964)
Balance at end of financial year	11,343	20,935

25. Revenue

Disaggregation of revenue

The Group has disaggregated revenue into various categories in the following table:

	Group					
	At a point in time		Over time		Total	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
IT business						
- Distribution of IT products	440,945	412,795	-	-	440,945	412,795
- In-house maintenance services	-	-	7,217	6,560	7,217	6,560
- Professional services	5,084	5,003	-	-	5,084	5,003
- Training services	167	208	-	-	167	208
PCB business						
- PCB services	1,105	5,119	-	-	1,105	5,119
- Distribution of PCB related products	521	1,009	-	-	521	1,009
	447,822	424,134	7,217	6,560	455,039	430,694
Rental						
IT					19	61
PCB					737	575
					455,795	431,330

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. Revenue (Continued)

Contract liabilities

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Non-current liabilities				
Deferred revenue	2,903	2,841	-	-
Current liabilities				
Advance billings	8,034	6,514	-	8
Deferred revenue	4,068	3,539	-	-
Rebate to customers	2,197	2,033	-	-
Total current contract liabilities	14,299	12,086	-	8
Total contract liabilities	17,202	14,927	-	8

a) Significant changes in contract liabilities

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance at beginning of financial year	14,927	10,936	8	-
Balance recognised as revenue during the financial year	(9,811)	(5,912)	(8)	-
Invoice issued during the year and not recognised as revenue	12,214	10,031	-	8
Currency translation adjustment	(128)	(128)	-	-
Balance at end of financial year	17,202	14,927	-	8

Advanced billings to customers are for products and services to be delivered in future financial periods.

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 2019

25. 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:

2019

	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	2025 $'000	Total $'000
Advance billings	8,034	-	-	-	-	-	8,034
Deferred revenue	4,068	1,493	894	375	106	35	6,971
	12,102	1,493	894	375	106	35	15,005

2018

	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	Total $'000
Advance billings	6,514	-	-	-	-	-	6,514
Deferred revenue	3,539	1,382	766	439	204	50	6,380
	10,053	1,382	766	439	204	50	12,894

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 2019

26. Other income

	Group	
	2019	2018
	$'000	$'000
Commission income	224	74
Fair value change in financial asset, FVPL	134	131
Fair value change in derivative financial instruments	2	5
Freight income	401	510
Foreign exchange gain, net	80	-
Gain on disposal of plant and equipment	1,077	126
Government grant	357	212
Reversal of impairment loss of plant and equipment	460	-
Sale of drill bits	-	20
Scrap sales	74	32
Others	35	50
	2,844	1,160

27. Finance costs

	Group	
	2019	2018
	$'000	$'000
Interest expenses:		
- bank borrowings	310	412
- lease liabilities	288	-
- finance receivables	325	129
	923	541

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28. 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:

	Group	
	2019	2018
	$'000	$'000
Cost of sales		
Allowance made for inventory obsolescence	**2,187**	2,075
Inventories written off	**51**	25
Depreciation of property, plant and equipment	**217**	905
Selling and distribution costs		
Entertainment	**1,579**	1,843
Sales commission	**3,614**	3,480
Travelling	**994**	1,205
Administrative and other expenses		
Amortisation of club memberships	**19**	24
Depreciation of right-of-use assets	**1,137**	-
Bad third party trade receivables written off	**29**	283
Depreciation of property, plant and equipment	**1,404**	1,238
Directors' fees		
– Directors of the Company	**239**	199
Foreign exchange loss, net	**-**	2,506
Audit fees		
- auditors of the Company	**150**	149
- other auditors	**137**	143
Non-audit fees		
- auditors of the Company	**5**	-
- other auditors	**22**	18
Lease expenses		
- short-term leases	**229**	-
- low value assets	**4**	-
Operating lease expenses	**-**	1,482
Plant and equipment written off	**17**	22

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28. Profit before income tax (Continued)

The profit before income tax also includes:

	Group	
	2019	2018
	$'000	$'000
Employee benefits expense		
- salaries and other short term benefits	33,272	31,687
- post-employment benefits	3,359	3,436
	36,631	35,123

The employee benefits expense is recognised in the following line items of profit or loss:

	Group	
	2019	2018
	$'000	$'000
Cost of sales	358	1,464
Selling and distribution costs	24,643	22,271
Administrative and other expenses	11,630	11,388
	36,631	35,123

Included in the employee benefits expense were key management remuneration as disclosed in Note 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29. Income tax expense

	Group	
	2019	2018
	$'000	$'000
Current income tax		
- current financial year	5,018	4,679
- under provision in prior financial years	258	379
	5,276	5,058
Deferred tax		
- current financial year	(536)	(211)
- under provision in prior financial years	68	372
	(468)	161
Total income tax expense recognised in profit or loss	4,808	5,219

Domestic income tax is calculated at 17% (2018: 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% (2018: 17%) to profit before income tax as a result of the following differences:

	Group	
	2019	2018
	$'000	$'000
Profit before income tax	14,560	11,892
Income tax calculated at applicable income tax rate of 17%	2,475	2,022
Effect of different income tax rates in other countries	143	290
Effect of expenses not deductible for income tax purposes	899	506
Effect of partial tax exemption and tax relief	(69)	(141)
Deferred tax assets not recognised	1,028	1,262
Utilisation of deferred tax assets not recognised previously	(276)	(9)
Under provision of current income tax in prior financial years	258	379
Under provision of deferred tax in prior financial years	68	372
Withholding tax paid overseas	270	547
Others	12	(9)
	4,808	5,219

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29. Income tax expense (Continued)

Unrecognised deferred tax assets

	Group	
	2019	2018
	$'000	$'000
Balance at beginning of financial year	**2,709**	1,379
Utilised during the financial year	**(276)**	(9)
Amount not recognised during the financial year	**1,028**	1,262
Forfeited upon expiration	**(1,545)**	-
Currency translation adjustment	**(58)**	77
Balance at end of financial year	**1,858**	2,709

Unrecognised deferred tax assets are attributable to:

	Group	
	2019	2018
	$'000	$'000
Unutilised tax losses	**1,553**	1,997
Other temporary differences	**305**	712
	1,858	2,709

As at 31 December 2019, the Group had unrecognised tax losses of approximately $6,612,000 (2018: $7,436,000) 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 and India amounting to approximately $6,281,000 (2018: $5,207,000) and $Nil (2018: $1,977,000) respectively can only be utilised for set-off against its future taxable profits within five and eight years from the date the tax losses were incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

30. Earnings per share

The calculation for earnings per share is based on:

	Group	
	2019	2018
Profit after income tax attributable to owners of the parent ($'000)	**7,836**	5,565
Actual number of ordinary shares in issue during the financial year applicable to basic earnings per share ('000)	**90,095**	90,095
Earnings per share (in cents)		
- Basic	**8.70**	6.18
- Diluted	**8.70**	6.18

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.

31. Dividends

	Group and Company	
	2019	2018
	$'000	$'000
Final tax-exempt dividends paid of $0.033 per share in respect of financial year ended 31 December 2018	**2,973**	-
Interim tax-exempt dividends paid of $0.0111 per share in respect of financial year ended 31 December 2018	**-**	1,000
Final special dividend paid of $0.0110 per share in respect of financial year ended 31 December 2017	**-**	991
Final tax-exempt dividends paid of $0.033 per share in respect of financial year ended 31 December 2017	**-**	2,973
	2,973	4,964

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. Dividends (Continued)

The Directors of the Company recommend a final tax-exempt (one tier) and special tax-exempt (one tier) dividends of $0.044 and $0.022 (2018: $0.033 and Nil) per ordinary share amounting to approximately $5,946,000 (2018: $2,973,000) 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.

32. Commitments and contingent liabilities

32.1 Operating lease commitments

The Group as a lessee

As at 31 December 2018, there were operating lease commitments for rental payable in subsequent accounting periods as follows:

	Group
	2018
	$'000
Within one year	1,109
After one year but within five years	2,191
After five years	940
	4,240

As at 31 December 2018, the above operating lease commitments are based on existing rental rates. The operating lease agreements provide for periodic revision of such rates in the future. The Group leases various office premises and other operating facilities under non-cancellable operating lease agreements. These leases have varying terms, escalation rights and renewal rights.

The Group and the Company as lessors

The Group and the Company have entered into operating lease commitment on its machineries. These non-cancellable leases have remaining lease terms of between 1 to 9 (2018: 8 to 21) months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. Commitments and contingent liabilities (Continued)

32.1 Operating lease commitments (Continued)

The Group and the Company as lessors **(Continued)**

As at the end of the reporting period, future minimum rentals receivable under non-cancellable operating leases for plant and machinery are as follows:

	Group and Company	
	2019	2018
	$'000	$'000
Within one year	**354**	671
After one year but within five years	**-**	205
	354	876

32.2 Contingent liabilities

Corporate guarantees

As at 31 December 2019, the Company had given guarantees amounting to $14,268,000 (2018: $9,205,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. 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.

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 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. Segment information (Continued)

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		
	IT business	PCB business	IT business	PCB business	IT business	IT business	Elimination and adjustments	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2019								
Revenue								
- 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 2019

33. Segment information (Continued)

	IT business $'000	PCB business $'000	Elimination and adjustments $'000	Total $'000
2019				
Segment results				
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)
- Bad 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 2019

33. Segment information (Continued)

	Singapore		Greater China		Australia	Others			
	IT business	PCB business	IT business	PCB business	IT business	IT business	Unallocated	Elimination and adjustments	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2019									
Capital expenditure									
Property, plant and equipment	287	481	16	-	5	416	-	-	1,205
2019									
Assets and liabilities									
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

	Singapore		Greater China		Australia	Others		
	IT business	PCB business	IT business	PCB business	IT business	IT business	Elimination and adjustments	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018								
Revenue								
- External sales	193,609	2,665	57,045	4,038	53,951	120,022	-	431,330
- Inter-segment sales	53	1	-	-	-	-	(54)	-
Total revenue	193,662	2,666	57,045	4,038	53,951	120,022	(54)	431,330

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. Segment information (Continued)

	IT business	PCB business	Elimination and adjustments	Total
	$'000	$'000	$'000	$'000
2018				
Segment results				
Interest income	290	400	-	690
Interest expense	(541)	-	-	(541)
Depreciation of property, plant and equipment	(926)	(1,217)	-	(2,143)
Other non-cash items:				
- Gain on disposal of plant and equipment	24	102	-	126
- Amortisation of club memberships	(10)	(14)	-	(24)
- Bad third party trade receivables written off	(283)	-	-	283
- Inventories written off	(25)	-	-	(25)
- Plant and equipment written off	(22)	-	-	(22)
- Unrealised foreign exchange gain/(loss)	571	(41)	-	530
- Allowance made for inventory obsolescence	(2,064)	(11)	-	(2,075)
- Loss allowance on third party trade receivables	(164)	-	-	(164)
- Fair value change in financial asset, at FVPL	-	131	-	131
- Fair value change in derivative financial instruments	5	-	-	5
Segment profit	12,633	(741)	-	11,892

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. Segment information (Continued)

	Singapore		Greater China		Australia	Others			
	IT business	PCB business	IT business	PCB business	IT business	IT business	Unallocated	Elimination and adjustments	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018									
Capital expenditure									
Property, plant and equipment	526	889	20	-	3,042	274	-	-	4,751
2018									
Assets and liabilities									
Segment assets	95,384	17,351	28,583	11,322	22,093	52,561	5,447	-	232,741
Segment liabilities	63,725	13,282	9,697	227	11,860	22,898	2,178	-	123,867

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
2019					
Revenue from external customers	**183,761**	**51,848**	**56,658**	**163,528**	**455,795**
2018					
Revenue from external customers	167,633	61,095	53,929	148,673	431,330

NOTES TO THE FINANCIAL STATEMENTS

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33. Segment information (Continued)

Geographical information (Continued)

Location of non-current assets

	Singapore	Greater China	Australia	Others	Group
	$'000	$'000	$'000	$'000	$'000
2019					
Non-current assets	**7,844**	**25**	**2,780**	**472**	**11,121**
2018					
Non-current assets	9,038	1,133	2,859	387	13,417

Non-current assets consist of property, plant and equipment, club memberships and prepayment as presented in the consolidated statement of financial position of the Group.

Major customers

The revenues from two customers (2018: two customers) of the Group's IT business represent approximately $111,439,000 (2018: $104,675,000). 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	
	2019	2018
	$'000	$'000
Customer A	**61,865**	48,130
Customer B	**49,574**	56,545
	111,439	104,675

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. 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.

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:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
With subsidiaries				
Advances made to subsidiaries	-	-	12,456	12,892
Interest on advances made to a subsidiary	-	-	807	656
Rental income	-	-	149	149
Service fee	-	-	3,083	3,671

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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Salaries and other short-term benefits (other than fees)	4,735	3,890	3,902	3,191
Post-employment benefits	113	109	86	87
Directors' fees	239	199	239	199
	5,087	4,198	4,227	3,477

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34. Significant related party transactions (Continued)

Compensation of key management personnel (Continued)

The above includes the following remuneration to the Directors of the Company:

	Group	
	2019	2018
	$'000	$'000
Salaries and other short-term benefits (other than fees)	**3,191**	2,564
Post-employment benefits	**44**	39
Directors' fees	**239**	199
	3,474	2,802

35. 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.

35.1 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments, financial risks and capital management (Continued)

35.1 Credit risk (Continued)

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 aging. 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.

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	
	2019	2018
	$'000	$'000
Corporate guarantees provided to banks for subsidiaries' banking facilities utilised as at the end of financial year	14,268	9,205

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 $46,408,000 and $491,000 (2018: $35,801,000 and $634,000) respectively as at 31 December 2019.

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 2019

35. Financial instruments, financial risks and capital management (Continued)

35.1 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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
IT business				
- Australia	7,636	6,800	-	-
- Singapore	74,325	50,193	-	-
- Taiwan	6,915	4,855	-	-
- China	8,812	10,371	-	-
- Malaysia	9,527	5,041	-	-
- Thailand	3,914	5,853	-	-
- Philippine	2,633	3,308	-	-
- India (i)	10,733	13,937	-	-
- India (ii)	1,618	2,300	-	-
- Indonesia	2,621	2,627	-	-
- Vietnam	3,830	2,432	-	-
- Others	7,027	9,262	-	-
	139,591	116,979	-	-
PCB business				
- Singapore	501	660	501	660
- Others	-	814	-	-
	501	1,474	501	660
	140,092	118,453	501	660

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 2019

35. Financial instruments, financial risks and capital management (Continued)

35.1 Credit risk (Continued)

As at 31 December 2019, the lifetime expected loss provision for the Group's and the Company's trade receivables are as follows:

	Current	Past due 0 to 1 month	Past due over 1 to 2 months	Past due over 2 to 5 months	Past due over 5 months	Total
	$'000	$'000	$'000	$'000	$'000	$'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						4,846
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						4,846
Company						
PCB business						
Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	281	87	73	60	-	501
Impairment						-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments, financial risks and capital management (Continued)

35.1 Credit risk (Continued)

	Current	Past due 0 to 1 month	Past due over 1 to 2 months	Past due over 2 to 5 months	Past due over 5 months	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2018						
Group						
IT business						
Expected loss rate	0 - 5%	0 - 5%	0 - 5%	0 - 5%	0 - 5%	
Gross receivables	56,630	26,914	12,812	14,239	6,384	116,979
Impairment						2,610
PCB business						
Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	1,072	158	169	73	2	1,474
Impairment						-
Total						
Gross receivables	57,702	27,072	12,981	14,312	6,386	118,453
Impairment						2,610
Company						
PCB business						
Expected loss rate	0%	0%	0%	0%	0%	
Gross receivables	271	145	169	73	2	660
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 immaterial credit loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments, financial risks and capital management (Continued)

35.1 Credit risk (Continued)

Cash and bank balances

The cash and bank balances are held with the financial institutions with the following credit ratings:

	Group			Company		
	Rating	Bank balance	Fixed deposits	Rating	Bank balance	Fixed deposits
		$'000	$'000		$'000	$'000
2019						
International banks	**AA/A**	**33,985**	**25,003**	**AA/A**	**275**	**8,987**
Domestic banks	**BAA/BBB**	**584**	**2**		**-**	**-**
	Note 16	**34,569**	**25,005**		**275**	**8,987**
2018						
International banks	AA/A	37,343	19,022	AA/A	374	6,134
Domestic banks	BAA/BBB	219	2		-	-
	Note 16	37,562	19,024		374	6,134

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.

35.2 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 and Singapore dollar.

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 2019

35. Financial instruments, financial risks and capital management (Continued)

35.2 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	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Group				
United States dollar	**31,644**	35,635	**156,828**	65,641
Singapore dollar	**8,791**	3,780	**26,391**	33,476
Others	**13,990**	11,971	**1,293**	1,134
Company				
United States dollar	**12,385**	13,145	**905**	1,411
Others	**9,106**	6,167	**6**	8

Foreign currency sensitivity analysis

The Group's and the Company's exposure to foreign currency risk are mainly United States dollar and Singapore dollar. The Company's exposure to foreign currency risk is mainly in United States dollar.

The following table details the Group's and Company's sensitivity to a 3% (2018: 5%) change in United States dollar and Singapore dollar against the functional currencies respectively. The sensitivity analysis assumes an instantaneous 3% (2018: 5%) 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 2019

35. Financial instruments, financial risks and capital management (Continued)

35.2 Market risk (Continued)

(i) *Foreign exchange risk management* (Continued)

Foreign currency sensitivity analysis (Continued)

	Profit or loss	
	2019	2018
	$'000	$'000
Group		
United States dollar		
Strengthens against functional currencies*	**(3,756)**	(1,500)
Weakens against functional currencies*	**3,756**	1,500
Singapore dollar		
Strengthens against functional currencies#	**(528)**	(1,485)
Weakens against functional currencies#	**528**	1,485
Company		
United States dollar		
Strengthens against Singapore dollar	**344**	587
Weakens against Singapore dollar	**(344)**	(587)

* Primarily Singapore dollar and Indian rupee

\# Primarily United States dollar

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments, financial risks and capital management (Continued)

35.2 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 19 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% (2018: 1%) with all other variables including tax rate being held constant, the Group's profit before income tax will decrease or increase by approximately $82,000 (2018: $191,000) as a result of higher or lower interest expense on borrowings. If the United States dollar interest rates increase or decrease by 1% (2018: 1%) with all other variables including tax rate being held constant, the Group's profit before income tax will decrease or increase by approximately $141,000 (2018: $13,000) as a result of higher or lower interest expense on borrowings.

35.3 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.

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 2019

35. Financial instruments, financial risks and capital management (Continued)

35.3 Liquidity risk (Continued)

Contractual maturity analysis

	Within one year $'000	After one year but within five years $'000	After five years $'000	Total $'000
Group				
2019				
Financial liabilities				
Non-interest bearing				
- Trade and other payables (excluding value added tax)	101,395	-	-	101,395
Interest bearing				
- Bank borrowings	22,947	418	-	23,365
- Lease liabilities	1,380	2,709	245	4,334
	24,327	3,127	245	27,699
	125,722	3,127	245	129,094
2018				
Financial liabilities				
Non-interest bearing				
- Trade and other payables (excluding value added tax)	83,524	-	-	83,524
Interest bearing				
- Bank borrowings	19,626	899	-	20,525
	103,150	899	-	104,049

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments, financial risks and capital management (Continued)

35.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one year $'000	After one year but within five years $'000	Total $'000
Company			
2019			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding value added tax)	**2,632**	**-**	**2,632**
Interest bearing			
- Bank borrowings	**8,663**	**418**	**9,081**
- Lease liabilities	**42**	**112**	**154**
	8,705	**530**	**9,235**
	11,337	**530**	**11,867**
Financial guarantee contracts	**14,268**	**-**	**14,268**
2018			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding value added tax)	2,016	-	2,016
Interest bearing			
- Bank borrowings	10,414	899	11,313
	12,430	899	13,329
Financial guarantee contracts	9,205	-	9,205

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments, financial risks and capital management (Continued)

35.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

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.

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.

The following tables detail the liquidity analysis for derivative financial instruments. The tables have been drawn up based on the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement and the undiscounted net cash outflows on those derivatives that settle on a net basis.

	Within one financial year	
	2019	2018
	$'000	$'000
Group		
Gross settled:		
Foreign currency contracts		
- Gross inflows	**-**	490
- Gross outflows	**-**	(492)

35.4 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 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments, financial risks and capital management (Continued)

35.4 Capital management policies and objectives (Continued)

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Trade and other payables	**103,684**	85,984	**2,686**	2,059
Lease liabilities	**3,510**	-	**145**	-
Bank borrowings	**23,305**	20,427	**9,037**	11,222
Less: Cash and bank balances	**(59,574)**	(56,586)	**(9,262)**	(6,508)
Net debt	**70,925**	49,825	**2,606**	6,773
Equity attributable to owners of the parent	**103,615**	99,737	**48,631**	58,223
Total capital	**174,540**	149,562	**51,237**	64,996
Gearing ratio (%)	**41**	33	**5**	10

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 2019 and 2018.

As disclosed in Note 23 to the financial statements, certain subsidiaries of the Group is 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 2019 and 2018.

35.5 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 non-current liabilities in relation to lease liabilities and bank borrowings are disclosed in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments, financial risks and capital management (Continued)

35.5 Fair value of financial assets and financial liabilities (Continued)

Financial instruments by category

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Financial assets				
Fair value through profit or loss				
Financial asset, at FVPL	**4,333**	4,260	**4,333**	4,260
Amortised cost				
Trade and other receivables (excluding value added tax)	**137,830**	119,713	**622**	33,652
Cash and bank balances	**59,574**	56,586	**9,262**	6,508
	197,404	176,299	**9,884**	40,160
Financial liabilities				
Fair value through profit or loss				
Derivative financial instruments	**-**	2	**-**	-
Other financial liabilities				
Trade and other payables (excluding value added tax)	**101,395**	83,524	**2,632**	2,016
Bank borrowings	**23,305**	20,427	**9,037**	11,222
Lease liabilities	**3,510**	-	**145**	-
	128,210	103,951	**11,814**	13,238

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments, financial risks and capital management (Continued)

35.5 Fair value of financial assets and financial liabilities (Continued)

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).

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Group				
2019				
Financial assets				
Financial asset, at FVPL	**-**	**-**	**4,333**	**4,333**
2018				
Financial assets				
Financial asset, at FVPL	-	-	4,260	4,260
Financial liabilities				
Derivative financial instruments	-	2	-	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35. Financial instruments, financial risks and capital management (Continued)

35.5 Fair value of financial assets and financial liabilities (Continued)

Fair value hierarchy (Continued)

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Company				
2019				
Financial assets				
Financial asset, at FVPL	**-**	**-**	**4,333**	**4,333**
2018				
Financial assets				
Financial asset, at FVPL	-	-	4,260	4,260

There were no transfers between Levels 1 and 2 during the financial year.

Fair value of the forward foreign currency contracts are determined based on discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. There are no significant unobservable inputs and significant inter-relationship between unobservable inputs.

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.

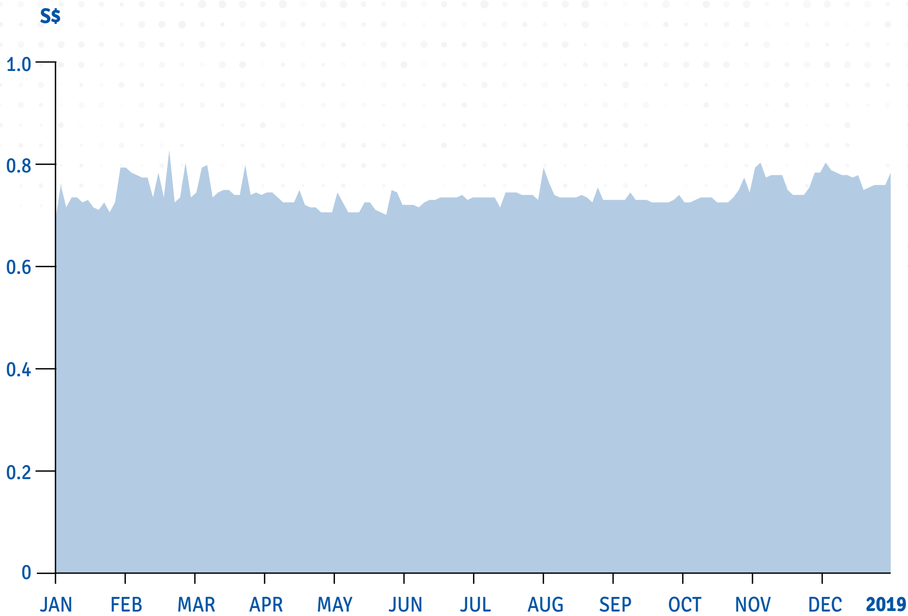
36. Events after the reporting period

The near term outlook in the IT business is dependent on events such as those political or economic in nature and such events could affect business in certain markets. With the recent coronavirus outbreak, the global economic outlook remains uncertain which in turn will affect the Group's business. Though the United States of America has recently cut interest rate, United States of America interest rate remains relatively high from the cumulative increase in the past few years and cost of business is expected to remain high. 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 2019

Share Price Chart



	In 2019			As at 18 March 2020
	Highest	Lowest	Average	
Share Price (S$)	0.825	0.685	0.738	0.740
Share Volume	136,000	0	8,000	13,000

STATISTICS OF SHAREHOLDERS

AS AT 18 MARCH 2020

ANALYSIS OF SHAREHOLDINGS AS AT 18 MARCH 2020

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	95	1.90	5,025	0.01
100 - 1,000	3,617	72.39	1,669,527	1.85
1,001 – 10,000	1,039	20.79	3,362,537	3.73
10,001 – 1,000,000	242	4.84	11,132,067	12.36
1,000,001 and above	4	0.08	73,926,112	82.05
TOTAL	**4,997**	**100.00**	**90,095,268**	**100.00**

LIST OF TWENTY LARGEST SHAREHOLDERS AS AT 18 MARCH 2020

(as shown in the Register of Members)

No.	Name of Shareholder	No. of Shares	% of Shareholdings
1	FOO SUAN SAI	36,564,625	40.58
2	HAN JUAT HOON	25,112,625	27.87
3	CITIBANK NOMINEES SINGAPORE PTE LTD	11,219,850	12.45
4	DBS NOMINEES PTE LTD	1,029,012	1.14
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	598,875	0.67
6	MOH TSER LOONG ALVIN	572,200	0.64
7	MAYBANK KIM ENG SECURITIES PTE LTD	372,625	0.41
8	ANG YEE LIM	325,000	0.36
9	ABN AMRO CLEARING BANK N.V.	312,200	0.35
10	IAN HAROLD HOLLAND	310,000	0.34
11	HSBC (SINGAPORE) NOMINEES PTE LTD	293,278	0.33
12	NEO THUA TEE	226,250	0.25
13	ANG HAO YAO (HONG HAOYAO)	199,000	0.22
14	DBS VICKERS SECURITIES (S) PTE LTD	196,375	0.22
15	RAFFLES NOMINEES (PTE) LIMITED	192,175	0.21
16	FOO CHIK HEE @ FOO CHIK ENG	189,500	0.21
17	GUARDIAN INVESTMENT PARTNERS (PTE LTD)	177,000	0.20
18	QUEK KOK KWANG (GUO GUOGUANG)	172,000	0.19
19	OCBC NOMINEES SINGAPORE PTE LTD	151,650	0.17
20	PHILLIP SECURITIES PTE LTD	144,500	0.16
	TOTAL	**78,358,740**	**86.97**

SUBSTANTIAL SHAREHOLDERS

AS AT 18 MARCH 2020

(as shown in the Register of Substantial Shareholders)

		Direct Interest		Deemed Interest	
No.	Name of Shareholder	No. of Shares	%	No. of Shares	%
1.	Foo Suan Sai[1]	36,564,625	40.58	25,345,125	28.13
2.	Han Juat Hoon[1]	25,345,125[2]	28.13	36,564,625	40.58
3.	Yaowalak Phoowarachai	10,668,000[3]	11.84	-	-

Notes :

(1) 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.

(2) Mdm Han Juat Hoon has direct interest in the 232,500 ordinary shares registered in the name of UOB Kay Hian Pte Ltd.

(3) 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 18 March 2020, 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 18.93%. 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 at 18 Boon Lay Way, #04-110 Tradehub 21, Singapore 609966 on Wednesday, 29 April 2020 at 11.30 a.m. (of which there will be a live webcast), 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 2019 together with the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**

2. To re-appoint Mr Foo Suan Sai pursuant to Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited. *(See Explanatory Note 1)* **(Resolution 2)**

   Mr Foo Suan Sai will, upon re-appointment as a Director of the Company, remain as a member of the Nominating Committee.

3. 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 2)* **(Resolution 3)**

   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.

4. To re-elect Mr Foo Maw Shen who is retiring by rotation pursuant to Regulation 106 of the Constitution of the Company. *(See Explanatory Note 3)* **(Resolution 4)**

   Mr Foo Maw Shen will, upon re-election as a Director of the Company, remain as a member of the Audit and Risk Management Committee, 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.

5. To approve a final tax exempt (one-tier) dividend of SGD0.044 per ordinary share and special tax exempt (one-tier) dividend of SGD0.022 per ordinary share for the financial year ended 31 December 2019. **(Resolution 5)**

6. To approve the payment of Directors' fees of SGD 219,312.50 for the financial year ended 31 December 2019. **(Resolution 6)**

7. To re-appoint Messrs BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

8. 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:

9. Authority to issue shares

"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:- **(Resolution 8)**

(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 4)*

BY ORDER OF THE BOARD
Chan Lai Yin
Company Secretary
Singapore, 14 April 2020

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Businesses to be Transacted

1. The detailed information of Mr Foo Suan Sai can be found under Directors' Profile section of the Company's Annual Report and additional information on directors seeking re-election or re-appointment.

2. The detailed information of 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 or re-appointment.

3. The detailed information of Mr Foo Maw Shen can be found under Directors' Profile section of the Company's Annual Report and additional information on directors seeking re-election or re-appointment.

4. The Ordinary Resolution no. 8 proposed in item 9 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.

NOTICE OF ANNUAL GENERAL MEETING

Notes

i. A member of the Company who is entitled to attend and vote at the AGM is entitled to appoint the "Chairman of the Annual General Meeting" as a proxy to vote in his/her stead.

ii. A proxy need not be a member of the Company.

iii. The instrument appointing the "Chairman of the Annual General Meeting" as a proxy must be signed and deposited at the registered office of the Company at 18 Boon Lay Way #05-113, Tradehub 21, Singapore 609966 or e-mail to finance@multichem.com.sg not less than 72 hours before the time appointed for holding the meeting.

RECORD DATE

Subject to shareholders' approval to the proposed final and special dividends at the forthcoming Annual General Meeting, the Share Transfer Books and Register of Members of the Company will be closed on 3 June 2020 for preparation of dividend warrants to a final tax exempt (one-tier) and special tax exempt (one-tier) dividends of 4.4 cents per Ordinary Share and 2.2 cents per Ordinary Share respectively for the financial year ended 31 December 2019 (the "Proposed Final and Special Dividends").

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 2020 ("Record Date") will be registered to determine Members' entitlements to the Proposed Final and Special Dividends. 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 and Special Dividends.

The Proposed Final and Special Dividends, if approved at the forthcoming Annual General Meeting, will be paid on 10 June 2020.

NOTICE OF ANNUAL GENERAL MEETING

Measures to minimize the risk of COVID-19

In view of the constantly evolving COVID-19 situation and to comply with the Infectious Diseases (Measures to Prevent Spread of COVID-19) Regulations 2020 (the "Regulations"), the following steps will be taken for shareholders and others attending the Annual General Meeting ("AGM") of Multi-Chem Limited (the "Company") to help minimise the risk of community spread of the virus:

1. The Company has decided to hold the AGM with shareholder attendees limited to two pre-selected shareholders. No other shareholders or their corporate representatives will be admitted.

2. Shareholders will be able to watch the AGM proceedings through a live webcast via their mobile phones, tablets or computers. Please refer to URL http://multichem.com.sg/html/registration.php and register by 11.30 a.m. on 26 April 2020 by completing the pre-registration form for the Company to authenticate your shareholder status. FAQs can be found in our corporate website at www.multichem.com.sg.

3. Shareholders will not be able to vote through the live webcast. The only way for Shareholders to exercise their voting rights at the AGM is via proxy voting. Shareholders would have to submit the proxy form in accordance with the instructions set out in such proxy form and appoint "Chairman of the Annual General Meeting" as their proxy. All votes in the AGM will be taken on a poll.

4. Shareholders are reminded not to congregate to watch the live webcast and ensure that safe distancing measures are practiced and the Regulations and all government advisories are adhered to.

5. Shareholders may submit any questions related to the resolutions to be tabled for approval at the AGM and the Company will endeavour to address the substantial questions. Please submit questions in advance related to the Agenda in the Notice of AGM before 21 April 2020 by completing the pre-registration form at URL http://multichem.com.sg/html/registration.php. The Company will endeavour to upload the Company's responses to substantial queries from Shareholders on the SGXNet by 23 April 2020. Any subsequent queries received after 21 April 2020 will be addressed during the AGM of which there will be a live webcast.

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take such precautionary measures as may be appropriate at the AGM, including any precautionary measures as may be required or recommended by government agencies or the Singapore Exchange Regulation from time to time, in order to minimize the risk of community spread of COVID-19.

The Company may also be required to change its AGM arrangements at short notice. Shareholders are advised to regularly check our corporate website at www.multichem.com.sg for updates on the AGM.

The Company seeks the understanding and cooperation of all shareholders to help minimise the risk of community spread of the virus.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

By (a) submitting an instrument appointing the "Chairman of the Annual General Meeting" as proxy to vote at the AGM and/or any adjournment thereof or (b) submitting any question prior to the AGM in accordance with paragraph 5 of the section "Measures to minimize the risk of COVID-19" (the "COVID-19 Notice") or (c) submitting the pre-registration form in accordance with paragraph 2 of the COVID-19 Notice, 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 purposes of:

(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.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION OR RE-APPOINTMENT

The following directors are the Directors seeking re-election or re-appointment at the forthcoming Annual General Meeting of the Company to be convened on 29 April 2020 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**"):

1. Mr Foo Suan Sai;
2. Mr Neo Mok Choon; and
3. Mr Foo Maw Shen.

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:

MR FOO SUAN SAI	
Date of Appointment	30 September 1988
Date of last re-appointment	Nil
Age	67
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 qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Foo Suan Sai for re-appointment as Executive Director of the Company. The Board have reviewed and concluded that Mr Foo Suan Sai 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 Mr Foo Suan Sai is responsible for the overall direction and development of the Group.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chief Executive Officer and member of the Nominating Committee.
Professional qualifications	Diploma in Chemical Process Technology from 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 of the Company since 1988.
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 36,564,625 ordinary shares Deemed interest: 25,345,125 ordinary shares

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION OR RE-APPOINTMENT

MR FOO SUAN SAI	
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	Mr Foo Suan Sai is the husband of Mdm Han Juat Hoon, Executive Director and Chief Operating Officer of the Company and father 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) Present	 None 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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION OR RE-APPOINTMENT

MR FOO SUAN SAI	
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:– 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?	No
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? 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).	Not applicable

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION OR RE-APPOINTMENT

MR NEO MOK CHOON	
Date of Appointment	1 August 2012
Date of last re-appointment	21 April 2017
Age	59
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 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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION OR RE-APPOINTMENT

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
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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION OR RE-APPOINTMENT

MR NEO MOK CHOON	
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– 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?	No
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? 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).	Not applicable

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION OR RE-APPOINTMENT

MR FOO MAW SHEN	
Date of Appointment	31 July 2014
Date of last re-appointment	21 April 2017
Age	54
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 Foo Maw Shen for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Foo Maw Shen 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, member of the Audit and Risk Management Committee, Remuneration Committee and Nominating Committee.
Professional qualifications	Advocate & Solicitor, Singapore Fellow, Insolvency Practitioners Association of Singapore
Working experience and occupation(s) during the past 10 years	2007 to present: Senior Partner, Dentons Rodyk & Davidson LLP
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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION OR RE-APPOINTMENT

MR FOO MAW SHEN	
Other Principal Commitments* Including Directorships#	
Past (for the last 5 years)	Sakae Holdings Ltd. (from 28 January 2019 to 16 October 2019)
Present	Senior Partner of Dentons Rodyk & Davidson LLP
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
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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION OR RE-APPOINTMENT

MR FOO MAW SHEN	
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– 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?	No
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? 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).	Not Applicable

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MULTI-CHEM LIMITED
(Company Registration No.: 198500318Z)
(Incorporated in Singapore)

PROXY FORM

IMPORTANT:
1. For CPF/SRS investors who have used their CPF/SRS monies to buy the Company's shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
2. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2020.

*I/We________________________________ (Name)________________ (NRIC/Passport No.)

of ____ (Address)

being *a member/members of Multi-Chem Limited (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)
CHAIRMAN OF THE ANNUAL GENERAL MEETING			

as *my/our proxy to attend and vote for or against or abstain from voting on the Resolutions to be proposed at the Annual General Meeting ("AGM") as indicated hereunder, for *me/us and on *my/our behalf, at the AGM to be held at 18 Boon Lay Way, #04-110 Tradehub 21, Singapore 609966 on Wednesday, 29 April 2020 at 11.30 a.m. (of which there will be a live webcast) 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 2019.			
2.	To re-appoint Mr Foo Suan Sai as Director.			
3.	To re-elect Mr Neo Mok Choon as Director.			
4.	To re-elect Mr Foo Maw Shen as Director.			
5.	To approve a final tax exempt (one-tier) and special tax exempt (one-tier) dividends.			
6.	To approve the payment of Directors' fees.			
7.	To re-appoint Messrs BDO LLP as Auditors and to authorise the Directors to fix their remuneration.			
8.	To authorise Directors to issue shares.			

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 ___________________ 2020

Total Number of Shares Held

____
Signature(s) of Member(s)/Common Seal

IMPORTANT. Please read notes overleaf

Notes:

1. The instrument appointing proxy must be signed and deposited at the registered office of the Company at 18 Boon Lay Way #05-113, Tradehub 21, Singapore 609966 or e-mail to finance@multichem.com.sg not later than 72 hours before the time set for the Meeting.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. Where an instrument appointing a 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 and deposited at the registered office of the Company at 18 Boon Lay Way #05-113, Tradehub 21, Singapore 609966 or e-mail to finance@multichem.com.sg not later than 72 hours before the time set for the Meeting, failing which the instrument may be treated as invalid.

5. A corporation which is a member of the Company may, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting.

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6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

7. An investor who buys shares using CPF monies ("CPF Investors") and/ or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, if which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

8. The Company shall be entitled to reject an instrument appointing a proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy. In addition, in the case of a member whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy which has been lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register at least 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

9. Please take note of the section "Measures to minimize the risk of COVID-19" in the Notice of AGM.

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AFFIX STAMP

The Company Secretary
MULTI-CHEM LIMITED
18 Boon Lay Way #05-113
Tradehub 21
Singapore 609966

Multi-Chem Limited
Company's Registration No. 198500318Z

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