MegaChem

Decade of **Opportunities**

ANNUAL REPORT 2019

Over the past decade, Megachem has developed and grown our network and brand to form a solid fundamental that shall enable us to tap on the vast opportunities in the new decade.

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This annual report has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor").

This annual report has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

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

AT A GLANCE

SALES
S$113.8 MIL
3.5% ▼

NET PROFIT
S$4.0MIL
6.8% ▼

EBITDA
S$7.0 MIL
1.5% ▲

GEARING
0.37
times

FULL YEAR DIVIDEND
1.5 cents
per share
(2018 : 1.5 cents per share)

CHAIRMAN'S MESSAGE

"Despite the tough operating environment, the Group recorded a profitable FY 2019 with a net profit after tax of S$4.0 million, testament to the resiliency of the Group's operations and strong relationships with customers and suppliers."

LEE BON LEONG
Independent and Non-Executive Chairman
Megachem Limited

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present to you Megachem Limited's ("Megachem", and together with its subsidiaries and associated companies, collectively the "Group") annual report for the financial year ended 31 December 2019 ("FY 2019").

Profitable year on the back of challenging macro economy

2019 was marked by escalating global trade tensions and depressed investor sentiments hit by a weakening economy. As a result, demand for chemical was dampened, leading to lower prices, which in turn slightly hampered growth after a record year of sales in 2018. Despite the tough operating environment, the Group recorded a profitable FY 2019 with a net profit after tax of S$4.0 million, testament to the resiliency of the Group's operations and strong relationships with customers and suppliers.

Resiliency to deliver a profitable year

For FY 2019, Megachem recorded a revenue of S$113.8 million, a decline of 3.5% from S$117.9 million in the previous financial year ended 31 December 2018 ("FY 2018"), mainly due to most markets holding back on chemical demand. While sales volume remained largely stable, the resultant fall in prices led to a dip in contribution to sales as compared to a year ago. This was partially offset by the Europe and Middle East markets, which expanded 11.6% and 1.3% respectively. Correspondingly, gross profit dipped 4.3% to S$28.2 million in FY 2019, from S$29.4 million in FY 2018.

In terms of business segments, the Distribution segment saw a 3.6% year-on-year dip in sales to S$110.0 million in FY2019, while the Manufacturing segment remained relatively unchanged at S$3.7 million over the same comparative period.

Total operating expenses (excluding finance costs) decreased 2.5% or S$0.6 million year-on-year, largely due to lower impairment of trade receivables, net foreign exchange loss, fair value loss from listed equity and travelling expenses, which were partially offset by higher warehouse storage charges and higher professional fees.

Net profit before tax decreased by S$0.4 million or 7.7% year-on-year, mainly attributed to lower revenue and gross profit. This was partially cushioned by higher other income, higher share of profit of associated companies and lower total operating expenses. Consequently, the Group saw a fall in net profit after tax of 6.8% to S$4.0 million in FY 2019, from S$4.3 million in FY 2018.

Earnings per share for FY 2019 stood at 2.88 Singapore cents, a 5.9% decrease from the earnings per share of 3.06 Singapore cents in FY 2018. Net asset value per share increased to 37.24 Singapore cents as at 31 December 2019, from 35.38 Singapore cents as at 31 December 2018.

In the past financial year, Megachem had stepped up efforts in credit and inventory management, which allowed us to generate positive cash flows from operating activities, and to reduce borrowings and satisfy dividends, amongst other financing obligations. Consequently cash and bank balances increased to S$14.9 million as at 31 December 2019 from S$12.2 million as at 31 December 2018, and gearing ratio improved to 0.37 time.

Overall, our robust balance sheet enabled us to maintain a sound and healthy financial position, posturing us for further growth and expansion of the business and to weather through any external adversities.

Decade of opportunities, buoyed by Asia

Following reduced tensions between US and China with the signing of the Phase One of the trade deal, the new decade began with some optimism. However, the emergence of COVID-19 soon gripped economies, threatening to put a dent on global growth. While the effects are still hard to predict at this juncture, the impact of the virus outbreak is expected to be widely felt as China is the second largest economy in the world. As the situation develops, there are already reported cases of the virus outbreaks in Europe and the US and this is further going to negatively impact the global economy. General business sentiments have taken a hit, and consumers are reining in on their spending.

Where chemicals are widely used in many industries, the chemical industry and performance of Megachem is closely interrelated to the global economy. While we expect some impact arising from the outbreak of the virus on the Group, we remain confident in our business model and long track record that will weather us through macro uncertainties. Built on strong foundations, the Group has remained profitable since its inception and withstood past crises such as the SARS epidemic in 2003 and the US Financial Crisis in 2008. Coupled with our financial discipline, the Group is in a strong position to overcome the negative impact of the virus outbreak.

Looking beyond the immediate term, the new decade presents many opportunities for Megachem.

The Asia region remains the main driver of global growth for the Group, testament to the Company's Asia-centric network and strong focus on the Asian markets. On the back of a burgeoning middle class, large injections into infrastructure and the presence of high growth industries, we foresee Asia being a promising beacon of expansion through the next decade. With our extensive and diversified base in Asia, the Group will continue to nurture our operations in this region through delivering our deep expertise and wide product portfolio to our customers.

Megachem distributes a broad range of products across a plethora of industries, including construction, electronics, nutraceuticals and pharmaceuticals, to name a few. Besides our strong customer centricity, we are also committed to enhancing our product offerings to cater to more customers.

Leveraging on our resilient business model, long track record of operational excellence and diversified industry coverage, as well as our stringent financial discipline, Megachem is well-positioned to take advantage of the vast opportunities in this decade.

Consistently rewarding our shareholders

Megachem has been committed to providing value for all stakeholders, including our shareholders. Since our inception, we have not strayed from this, and have been consistently distributing dividend and providing long-term returns to our shareholders.

For FY 2019, the Board is pleased to recommend a final dividend of 1.0 cent per share, in appreciation of the support from our valued shareholders. Coupled with the interim dividend of 0.5 cent per share, the collective dividend of 1.5 cents per share represents a payout ratio of 51.9% against net profit. This is subject to the approval by shareholders at the Annual General Meeting to be convened.

Words of appreciation

I would like to extend my gratitude to our management team, staff, bankers and business associates for their commitment and contribution towards Megachem. Further, I would like to show my appreciation for my fellow directors for providing guidance amidst the tough operating environment. Last but not least, I would like to extend my gratitude to our loyal shareholders for their support.

We will continue to drive ahead in building a more sustainable specialty chemical business for our customers, while enhancing our shareholders' value.

Lee Bon Leong
Independent and Non-Executive Chairman
Megachem Limited

OUR WORLD OF CHEMISTRY

PERFORMANCE COATINGS AND POLYMERS

- Paint and Ink
- Polymerisation
- Adhesive
- Construction
- Textile

SURFACE TECHNOLOGY

- Electronics
- Metal Finishing
- Industrial Cleaning
- Water Treatment
- Pulp & Paper

OIL AND GAS

- Petrochemical
- Lubricant & Grease
- Oil field
- Refinery

OUR WORLD OF CHEMISTRY

ADVANCED POLYMER COMPOSITES

- Rubber
- Plastic
- Polyurethane
- Polyester

BIOTECH

- F&B
- Pharmaceutical
- Nutraceutical
- Cosmaceutical
- Agriculture/Feed
- Flavor & Fragrance
- Homecare
- Photographic

RESOURCES

- Mining

OUR PROSPECTS

2020 OUTLOOK

Following positive progress made in US-China trade negotiation, the year 2020 began with renewed optimism and concerns over the health of the global economy receded. That was soon taken over by fear when COVID-19 emerged, threatening to put a dent on growth. The extent of its impact on global economy is hard to predict at this juncture although it is clear it will dampen economic growth.

Hence the chemical industry and Megachem's prospects is likely to be weighed down by the economic impact of COVID-19 but when the effects dissipate, we may see a revival of the economy and consequently our business.

Megachem's robust business model has been tried and tested as can be seen in our profitable track record since inception. Our resilience, coupled with our financial discipline, should enable us to mitigate the risks and overcome the negative impact arising from the COVID-19.

2020 – 2030 : DECADE OF OPPORTUNITIES

Beyond the immediate term, the next decade opens a door of opportunities for Megachem.

Asia : Driver of Global Growth

Boosted by a rapidly growing middle-class and massive infrastructure investment, Asia will be a major driver of global growth in this decade. Megachem has presence in twelve countries, nine of which are in Asia. Our extensive footprint in Asia places us in a strategic position to ride on the opportunities in this region.

Chemicals : The Industry of Industries

As chemicals are used across a wide spectrum of industries, its demand is closely correlated to economic and industrial activities.

Efforts by governments in Asia to build infrastructure to support economic growth will increase demand of chemicals to be used in construction industries.

The electronics industry uses a broad range of specialty chemicals such as in the manufacture of electronic components and products, printed circuit boards (PCBs) and the manufacture of semiconductors. In this age of Digital Technology and the 4th Industrial Revolution, semiconductors is vital in transforming the way we work and live. As the semiconductor industry enters an exciting phase, the demand for specialty chemicals used in this industry will experience stronger growth than before.

Shift in global demographics towards an aging population will also have implications for the chemical industry, benefiting sales of chemicals to industries such as nutraceutical and pharmaceuticals.

Megachem, with a diversified product portfolio that serves multiple industries, have the expertise and offerings to take advantage of these social and economic developments.

We believe our Asia-centric network and diversified industry coverage will provide us the platform to take advantage of the vast opportunities in this decade.

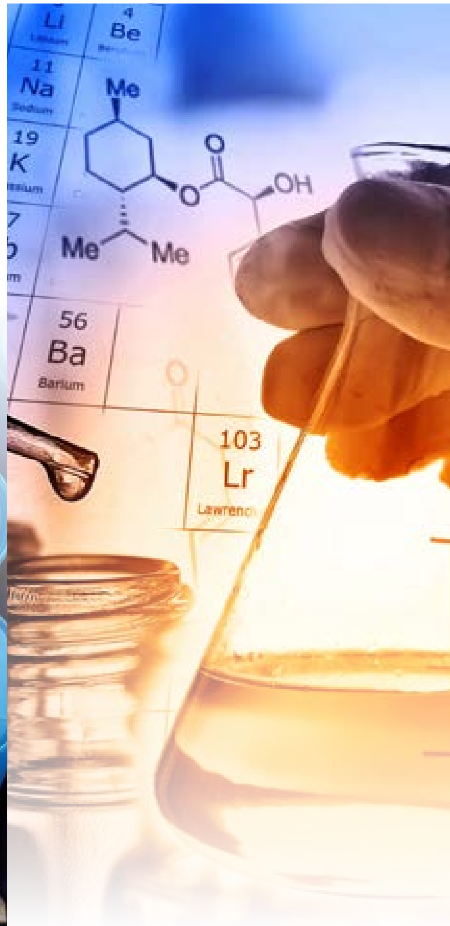
OUR CORPORATE PROFILE

Your Total Chemical Solutions Partner

Established in 1988, Megachem has since emerged as a leading chemical player in Singapore and the region. Listed on the Singapore Stock Exchange in 2003, we are today a global one-stop specialty chemical solutions provider, offering integrated value-added services including contract manufacturing tailored to customers' needs as well as distribution of specialty chemicals. We have a global presence and diverse customer base from a wide spectrum of industries. Our technical capabilities, supply chain infrastructure and professional team serve to ensure total customer satisfaction.

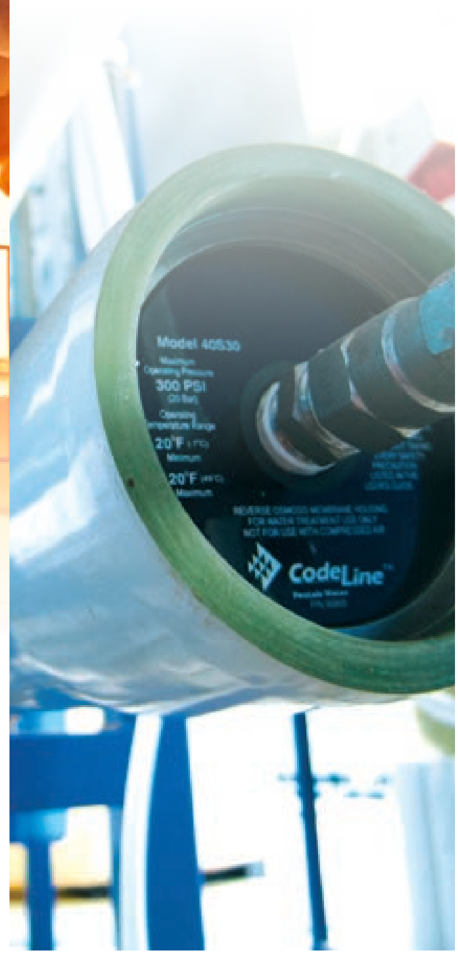
OUR CORPORATE PROFILE

Serving You Globally With One-Stop Supply Of Specialty Chemicals

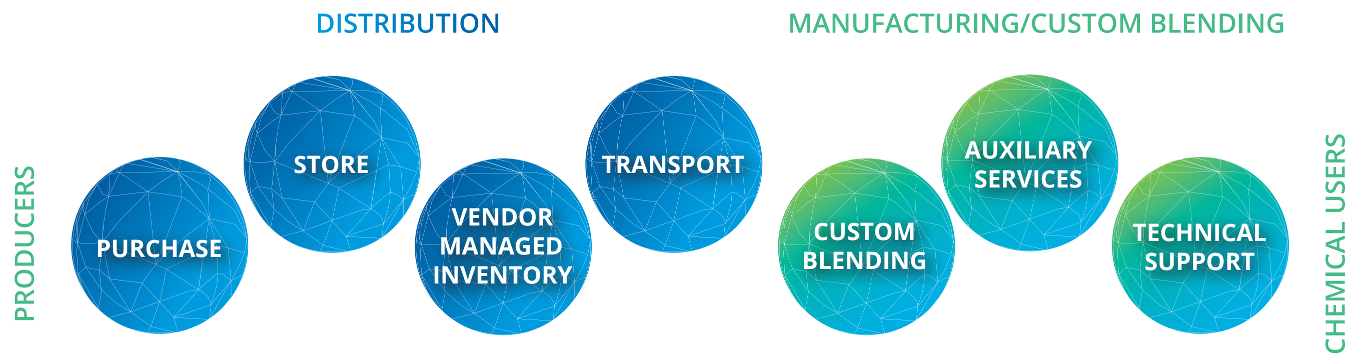


Providing Integrated Value-Added Solutions

A Premium Provider Of Chemical Contract Manufacturing Services



OUR BUSINESS MODEL



VALUE-ADDING IN THE CHEMICAL SUPPLY CHAIN

- Wide product portfolio >1,000 types and grades of chemicals
- Global Sourcing Network -China, Europe, Japan, US, India
- Global Distribution Network -presence in 12 countries
- Strong customer base >2,000 customers
- Providing Just-in-Time delivery and Vendor-Managed Inventory Service

- Mixing and Blending according to customers' formulations
- Repackaging from bulk to smaller packaging
- Filling, packaging and labeling
- Technical support from dedicated application laboratories

OUR GLOBAL FOOTPRINT

CONNECTING TO THE WORLD OF OPPORTUNITIES

With an extensive global network and strategic locations in Asia, we are well-positioned to develop strategic relationships and forging winning formula in a challenging business landscape.

GLOBAL SOURCING

GLOBAL MARKETS

WHY MEGACHEM?

Every single element has to be exactly in place to create the desired formula for success and Megachem has been building this winning formula over the decades. Several vital ingredients make up this potent formula:

Our integrated solutions, superior manufacturing capability, extensive global network, our strong customer base, outstanding product portfolio, efficient supply chain solutions and sophisticated IT support services. Together, these elements give our customers the competitive edge they seek, making us their indispensable partner on their journey to growth

OUR COMPETITIVE STRENGTHS

Integrated Specialty Chemical Solutions Provider

Megachem's capabilities in proprietary chemical products manufacturing, contract manufacturing and global distribution provide customers with integrated solutions, thus adding higher value to them.

These make us a one-stop shop where customers can find total solutions.

Superior Manufacturing Capability

In contract manufacturing, we add value by blending materials according to our customers' formulation and specific requirements. With our proven track record with several multinationals, customers can confidently outsource to us their non-core production activities so that they can focus on what they do best - making their business grow.

Extensive Global Network

Our extensive network in Singapore, Malaysia, Indonesia, Thailand, Philippines, Vietnam, Myanmar, China, India, Middle East, Australia and the UK enables us to serve our customers globally.

Our direct presence in these markets offers a premium service level and minimized operating cost for our customers. Our integrated network also allows for cross-border exchange of market information and enables us to connect our suppliers to their desired markets.

Strong Customer Base

Over the years we have developed a strong and diversified customer base comprising largely multi-nationals companies spreading across a wide range of industries. This is a testimony of their confidence in us and of our ability to deliver long-term value to them.

Outstanding Product Portfolio

We carry a wide range of products which provides a one-stop shop and enables us to be a key supplier to our customers.

Quality Supply Source

Our suppliers have proven track records in quality, consistency, competitive pricing and supply reliability.

A strong presence in Asia has helped several of our principal suppliers to penetrate key markets, which led to our appointment as their sole distributor and business partner.

Efficient Supply Chain Solutions

Our warehousing facilities stock different classes and grades of specialty chemicals. Coupled with an efficient logistics support and just-in-time inventory controls, we are able to help customers improve their inventory planning and reduction of inventory costs.

Sophisticated IT Infrastructure

Megachem invests heavily in a world-class IT infrastructure including mySAP Business Suite software. This enhances our service efficiency as well as provides seamless information exchange which gives us a competitive advantage over our competitors.

YOUR COMPETITIVE ADVANTAGES

As our Customers

Competitive Product Pricing

Megachem can act as a single source supplier of a full suite of products, offering you increased product cost effectiveness. Through product bundling, overall product cost and freight cost can be reduced for our customers.

WHY MEGACHEM?

Process and Operational Cost Efficiency
Instead of having a big procurement team inquiring with several suppliers, negotiating prices, terms and conditions with each of them, you can rely on us as one single point of contact. By consolidating your chemical materials requirements and outsourcing to us, it enables you to focus your time and effort on your core activities. We can source and order your products for you, store them in close proximity to your production locations and deliver them not before or after they are needed; instead, they arrive "just-in-time" as they are needed, effectively reducing operational costs such as warehousing and inventory obsolescence.

Product Options
Megachem has global sourcing network around the world with the ability to source for quality products at economical cost. We are able to offer various alternatives for your chemical raw material requirements by offering wider choices in terms of product quality and pricing.

Optimum Service Level
Megachem partners many multi-nationals companies, serving them as a global supplier. For these companies our Key Accounts Managers provide impeccable level of personalised services and offer customised solutions.

Adding Value Through Contract Manufacturing
Megachem adds further value to your business by providing contract manufacturing services. We can source the raw materials for you, store them in our warehouse, produce the finished products according to your formulations, pack them according to your requirements and deliver them directly to you or your customers. By engaging us as your contract manufacturer, your non-core production is outsourced to us and in so doing reduces your capital expenditure, production and other related costs.

Outsourcing your non-core productions to us also enables you to penetrate key markets in Asia without investing heavily in capital expenditure.

As our Suppliers

Your Partner in Growing your Markets
As a supplier to us, we add value to you by bringing your products to your desired markets. We do so by leveraging on our extensive network around the world, especially in Asia where there is a tremendous potential for growth. Supported by an efficient logistical infrastructure and our in-depth market knowledge, we can assist you in developing your markets bigger and faster.

Streamlining your Distribution Channels
Acting as your distributor, you can outsource smaller customer accounts to us, enabling you to channel your resources towards the bigger customers thus streamlining your distributions channels, operations and reducing your operational cost

Reducing your Inventory Cost
By appointing us as your distributor, you will be able to reduce your inventory holding cost. Our robust inventory management system and strong supply chain infrastructure will ensure sufficient level of stocks to meet customers' demand within shortest possible delivery time.

Market Information Sharing
We view our suppliers as important business partners. As such, we have open channels of sharing and communication of market knowledge and information to keep our suppliers abreast of market developments.

DEFINING MEGACHEM

Supporting Megachem's key success factors is the invigorating deep culture – one that bonds the spirit of our people together with common values, easily recognizable in the conduct of our business where:

We constantly **DIFFERENTIATE** ourselves to stay ahead of competition

We are **ENERGIZED** towards realizing our vision in everything that we do

We constantly pursue better ways to **ENGAGE** with our business partners to achieve mutually beneficial relationship

Our people are committed to **EXECUTE** and deliver quality results

Because we truly believe in our **PASSION** to better serve and deliver our best

We are a **PERFORMANCE-DRIVEN** organization

We embrace **CHANGE** to stay relevant.

MR LEE BON LEONG, JP,PBM,BBM, AGE 73
Independent and Non-Executive Chairman

Date of first appointment as a Director
5 September 2003

Date of last re-election as Director
15 April 2019

Length of service as a Director
16 years and 6 months

Country of principal residence
Singapore

Board's comments on the appointment
Not applicable, Mr Lee Bon Leong is not subject to re-election.

Board committee memberships
Chairman of Nominating Committee
Member of Audit Committee
Member of Remuneration Committee

Academic and professional qualifications
Masters of Law from the National University of Singapore
Bachelor of Law (Hons) from the National University of Singapore

Working experience and occupations for the past 10 years and principal commitments
Working experience and occupation during the last 10 years
Practising lawyer, senior partner of Lee Bon Leong & Co.

Principal Commitments (other than directorships)
Present
Practising lawyer and consultant to Lee Bon Leong & Co
Chairman of the Home Detention Advisory Committee
Chairman of the Board of Visitors for SCDF & SPF Detention Barracks (DB)

Past
Member of the Panel for the Disciplinary Committee of Enquiry Public Service Commission
Vice-Chairman and Trustee of the Inmates' Families Support Fund
Member of the Singapore Board of Visiting Justices
Member of the Institutional Discipline Advisory/Review Committee (IDAC/IDRC)

Directorships (Present and Past 5 years)
Present other than Megachem Limited
Listed
Asia Enterprises Holding Ltd

Non-listed
D S Lee Foundation
Kien Lee Investment Pte Ltd
King Tower Investment Pte Ltd
Li Lee Investment Pte Ltd
Rectron Investments Pte Ltd
Sing Hup Leong Investment Pte Ltd
Solid Gold Pte Ltd

Past 5 years, listed and non-listed
AnnAik Limited

Shareholdings (direct and deemed) in the Company (as at 21 January 2020)
100,000

Familial relationship with any director and/or substantial shareholder of the Company or of any of its principal subsidiaries
Nil

Conflict of interest (including any competing business)
Nil

BOARD OF DIRECTORS

MR SIDNEY CHEW CHOON TEE, AGE 59
Managing Director

Date of first appointment as a Director
28 April 1989

Date of last re-election as Director
15 April 2019

Length of service as a director
30 years and 10 months

Country of principal residence
Singapore

Board's comments on the appointment
Not applicable, Mr Sidney Chew Choon Tee is not subject to re-election.

Board committee memberships
Chairman of Executive Committee
Member of Nominating Committee

Academic and professional qualifications
Bachelor of Science in Chemistry (Hons)
Bachelor of Arts, majoring in Business Administration

Working experience and occupations for the past 10 years and principal commitments
Working experience and occupation during the last 10 years
Executive Director of Megachem Limited

Principal Commitments (other than directorships)
Present and Past
Nil

Directorships (Present and Past 5 years)
Present other than Megachem Limited
Listed
Megachem (Thailand) PCL

Non-listed
Megachem Manufacturing Pte Ltd
Megachem Raya Pte Ltd
Megachem (Shanghai) Pte Ltd
C.N. Chemicals Sdn. Bhd.
P.T. Mega Kemiraya
Megachem Plus Limited
Megachem Phils., Inc
Megachem International Trading (Shanghai) Co., Ltd
Megachem (UK) Ltd
Megachem Middle East FZE
Megachem Vietnam Company Limited
Megachem Specialty Chemicals (I) Private Limited
MG Chemicals (Australia) Pty Ltd

Past 5 years, listed and non-listed
Nil

Shareholdings (direct and deemed) in the Company (as at 9 March 2020)
46,956,812

Familial relationship with any director and/or substantial shareholder of the Company or of any of its principal subsidiaries
Nil

Conflict of interest (including any competing business)
Nil

By virtue of section 7 of the Companies Act, Chapter 50, Mr Sidney Chew Choon Tee, who by virtue of his interest of not less than 20% shareholding interest in the Company, is deemed to have an interest in the shares held by the Company in all the related corporations of the Company.

MR JEFFREY TAN BOCK CHIA, AGE 63
Executive Director

Date of first appointment as a Director
12 September 1988

Date of last re-election as Director
20 April 2018

Length of service as a Director
31 years and 6 months

Country of principal residence
Singapore

Board's comments on the appointment
The re-election of Mr Jeffrey Tan Bock Chia as Executive Director was recommended by the Nominating Committee and approved by the Board, after taking into consideration Mr Jeffrey Tan Bock Chia's contributions, performance, expertise and past experiences.

Board committee memberships
Member of Executive Committee

Academic and professional qualifications
The Singapore-Cambridge General Certificate of Education Advanced Level (GCE A-Level)

Working experience and occupations for the past 10 years and principal commitments
Working experience and occupation during the last 10 years
Executive Director of Megachem Limited

Principal Commitments (other than directorships)
Present
Honorary Council Member of the Singapore-China Business Association
Member of the School Advisory Committee of River Valley High School

Past
Nil

Directorships (Present and Past 5 years)
Present other than Megachem Limited
Listed
Megachem (Thailand) PCL

Non-listed
Megachem Manufacturing Pte Ltd
Megachem Raya Pte Ltd
Megachem (Shanghai) Pte Ltd
C.N. Chemicals Sdn. Bhd.
P.T. Mega Kemiraya
Megachem Plus Limited
Megachem Phils., Inc
Megachem International Trading (Shanghai) Co., Ltd
Megachem (UK) Ltd
Megachem Middle East FZE
Megachem Vietnam Company Limited
Megachem Specialty Chemicals (I) Private Limited
MG Chemicals (Australia) Pty Ltd

Past 5 years, listed and non-listed
Nil

Shareholdings (direct and deemed) in the Company (as at 9 March 2020)
25,435,083

Familial relationship with any director and/or substantial shareholder of the Company or of any of its principal subsidiaries
Nil

Conflict of interest (including any competing business)
Nil

Mr Jeffrey Tan Bock Chia, who is seeking re-election at the annual general meeting had responded negative to items (a) to (k) listed in the Appendix 7F of the Catalist Rules.

BOARD OF DIRECTORS

MR CHAN KAM LOON, AGED 59
Independent Director

Date of first appointment as a Director
28 September 2007

Date of last re-election as Director
17 April 2017

Length of service as a Director
12 years and 5 months

Country of principal residence
Singapore

Board's comments on the appointment
The re-election of Mr Chan Kam Loon as Independent Director was recommended by the Nominating Committee and approved by the Board, after taking into consideration Mr Chan Kam Loon's contributions, performance, expertise and past experiences.

Board committee memberships
Chairman of Audit Committee
Member of Nominating Committee
Member of Remuneration Committee

Academic and professional qualifications
Bachelor of Accountancy (Hons) from the London School of Economics
Member of the Institute of Chartered Accountants in England and Wales

Working experience and occupations for the past 10 years and principal commitments
Working experience and occupation during the last 10 years
Nil

Principal Commitments (other than directorships)
Present and Past
Nil

Directorships (Present and Past 5 years)
Present other than Megachem Limited
Listed
Jiutian Chemical Group Limited
Sarine Technologies Limited
Uni-Asia Group Limited

Non-listed
Nil

Past 5 years
Listed
DFL Holdings Limited
Hupsteel Limited

Non-listed
Nil

Shareholdings (direct and deemed) in the Company (as at 21 January 2020)
Nil

Familial relationship with any director and/or substantial shareholder of the Company or of any of its principal subsidiaries
Nil

Conflict of interest (including any competing business)
Nil

Mr Chan Kam Loon, who is seeking re-election at the annual general meeting had responded negative to items (a) to (k) listed in the Appendix 7F of the Catalist Rules.

DR TAY KIN BEE, AGE 65
Independent Director

Date of first appointment as a Director
1 July 2013

Date of last re-election as Director
20 April 2018

Length of service as a Director
6 years and 7 months

Country of principal residence
Singapore

Board's comments on the appointment
Not applicable, Dr Tay Kin Bee is not subject to re-election.

Board committee memberships
Chairman of Remuneration Committee
Member of Audit Committee

Academic and professional qualifications
Doctor of Business Administration degree
Master's Degree in Accounting and Finance
Bachelor's Degree in Mechanical Engineering (1st Class Hons)
SMU-SID Executive Diploma in Directorship

Working experience and occupations for the past 10 years and principal commitments
Working experience and occupation during the last 10 years
Managing Director and CEO of a specialty chemical distribution company

Principal Commitments (other than directorships)
Present
Executive Director of a private equity asset management company.

Past
Managing Director and CEO of a specialty chemical distribution company
Chairman of the Singapore Chemical Industry Council
Deputy Chairman of the Chemical Standards Committee (Singapore Standards Council)
Governing Board Member of the Workplace, Safety and Health Institute
Taskforce Chairman for Globally Harmonized System of Classification and Labelling of Chemicals (Ministry of Manpower)

Directorships (Present and Past 5 years)
Present other than Megachem Limited
Listed
Nil

Non-listed
DCM Asia Pte Ltd
Riverside Asia Partners Pte Ltd
Riverside Asia Pacific Fund II Pte Ltd
SPCI Pte Ltd

Past 5 years, listed and non-listed
Nil

Shareholdings (direct and deemed) in the Company (as at 21 January 2020)
Nil

Familial relationship with any director and/or substantial shareholder of the Company or of any of its principal subsidiaries
Nil

Conflict of interest (including any competing business)
Nil

BOARD OF DIRECTORS

MR TATSUYAKI SAKODA, AGE 55
Non-Executive and Non-Independent Director

Date of first appointment as a Director
1 March 2019

Date of last re-election as Director
15 April 2019

Length of service as a Director
1 year 1 month

Country of principal residence
Japan

Board's comments on the appointment
Not applicable, Mr Tatsuyuki Sakoda is not subject to re-election.

Board committee memberships
Nil

Academic and professional qualifications
Bachelor of Economics

Working experience and occupations for the past 10 years and principal commitments
Working experience and occupation during the last 10 years
Executive Officer of the Corporate Planning division in Chori Co., Ltd with past experiences in finance, accounting and corporate planning within Chori Co.,Ltd

Principal Commitments (other than directorships)
Present
Executive Officer of Corporate Planning division in Chori Co., Ltd

Past
Key positions in finance, accounting and corporate planning within Chori Co.,Ltd

Directorships (Present and Past 5 years)
Present other than Megachem Limited
<u>Listed</u>
Nil

<u>Non-listed</u>
Chori America, Inc
Chori China Co., Ltd
P.T Matsuoka Industries

Past 5 years, listed and non-listed
<u>Listed</u>
Nil

<u>Non-listed</u>
Chori MODA Co., Ltd
Tokyo Shirayuri Kai Co., Ltd
P.T. Chori Indonesia
Chori Europe Gmbh
Chori Co., Hong Kong
Chori Commercial De Mexico SA De CV
Chori Korea Co., Ltd

Shareholdings (direct and deemed) in the Company (as at 21 January 2020)
Nil

Familial relationship with any director and/or substantial shareholder of the Company or of any of its principal subsidiaries
An employee and nominee of Chori Co., Ltd, a 29.99% shareholder of Megachem Limited

Conflict of interest (including any competing business)
Nil

SENIOR MANAGEMENT

MR CHAN KHAI LEONG
Group General Manager

Mr Chan Khai Leong joined Megachem in December 2007 as the Business Development Director and was appointed as its Group General Manager in January 2009. As Group General Manager, he is responsible for the overall strategic planning as well as overseeing the day-to-day business operations for the Group's headquarters in Singapore. He also takes charge of the Group's manufacturing operations as well as operations in China. Mr Chan holds an honours degree in Chemistry from the National University of Singapore and has more than 20 years of experience in the chemical industries, assuming senior management roles in sales and marketing, production and plant expansion projects, technical service and business development in a wide range of specialty chemicals for use in a variety of industries.

MR FRANCIS YAU THIAM HWA
Chief Financial Officer

Mr Francis Yau joined Megachem in 2000 as the General Manager of Megachem (Shanghai) Pte Ltd and Megachem International Trading (Shanghai) Co. Ltd prior to his appointment as the Group's Financial Controller in 2001. He was promoted to the position of Chief Financial Officer on 1 January 2007. Mr Yau takes responsibility for all financial matters including financial and treasury planning, financial risk management and investor relations. He had several years of corporate banking experience prior to joining Megachem. He holds a bachelor degree in Business Administration from the National University of Singapore, majoring in finance and is also a member of the Institute of Singapore Chartered Accountants. He currently serves as an independent director in two other companies listed on SGX.

MS KWOK HWEE PENG
Group Finance Manager

Ms Kwok Hwee Peng joined Megachem as Group Accountant in 2002 and was promoted to the position of Group Finance Manager in 2008. She is responsible for the Group's financial reporting and is also the Company Secretary. She has several years of experience in accounting and audit with PricewaterhouseCoopers prior to joining Megachem. She holds a Bachelor of Accountancy degree from the Nanyang Technological University and is also a member of the Institute of Singapore Chartered Accountants.

OUR HUMAN CAPITAL

OUR HUMAN CAPITAL

At Megachem, our people are our greatest asset hence is at the heart of everything we do. We believe in the continuous investment and development of our people to realize their full potential to help the organization achieve excellence in our business results. The People Developer accolade is testimony to this longstanding commitment and belief that investment in people will thrust the organization towards the pinnacle of excellence in our relationship with our partners, customers and suppliers.

In pursuit of People Excellence, we adopt a holistic approach to human capital development.

REWARDS & BENEFITS

Megachem considers the competitive market place, relative value of each position to the Company as well as among similar jobs, performance of individual employees, qualifications and relevant work experience in deciding how much an individual is paid. The Company reviews its compensation and benefits program regularly to ensure it is on par with the market. The Company believes in providing targeted incentives and rewards to employees, consistent with their performance.

WELFARE AND WELL-BEING

We are committed to create and sustain a working environment supportive of work life balance for all employees as they are respected partners of the business. The Company conducts various programs to foster welfare and well-being among colleagues, to improve overall health of employees and to achieve work-life harmony. In so doing, a visible team of committed, productive and motivated employees is highly energized to realize the corporate vision, mission, values and culture.

LEARNING AND DEVELOPMENT

We place people at the core of our human resource ("HR") strategy and holds strong belief in nurturing of our employees to achieve excellent business results and attain high level of competency. The Company's HR policy is one that promotes the availability of opportunities for people to be trained on a continuing basis.

Megachem is a certified "People Developer" organisation in Singapore. "People Developer" is a certification awarded by Enterprise Singapore to companies which have achieved excellence in human capital development. This niche standard provides us with a total approach to attracting, managing and engaging employees for high performance and aims to bring the best out of our people.

CAREER & LEADERSHIP DEVELOPMENT

Our performance appraisal process has a development component that encourages employees to plan development that will help increase their performance and growth in their personal and professional development. In addition, to ensure a rewarding and fulfilling career at Megachem, the Company has in place a Mentorship Program where mentees are guided and coached by mentors in professional developmental and personal growth.

HIGHER LEARNING EDUCATION SUPPORT

The Higher Learning Education ("HLE") program provides financial assistance and professional education and training ("PET") to eligible employees who choose to further their professional education to enhance their knowledge and skills. This program provides reimbursement of eligible expenses for approved Diploma/Degree/Master/PhD certification programs related to employee's current or future job responsibilities.

STUDENTS AND GRADUATES

Megachem welcomes Interns/Attachment students to embark on an exciting learning journey with challenging assignments and projects.

Fresh graduates are strongly encouraged to apply and join the Company as Management Trainees in their first step towards building a promising career.

OUR ACHIEVEMENT

At Megachem, we are constantly pursuing higher standards of business excellence. Our string of achievements and awards garnered over the years attest to our customer-focused corporate values and quality standards.

ISO 9001
ISO 14001
ISO 22301
BS OHSAS 18001

CORPORATE INFORMATION

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

AUDIT COMMITTEE
Chan Kam Loon (Chairman)
Lee Bon Leong
Tay Kin Bee

REMUNERATION COMMITTEE
Tay Kin Bee (Chairman)
Lee Bon Leong
Chan Kam Loon

NOMINATING COMMITTEE
Lee Bon Leong (Chairman)
Chan Kam Loon
Sidney Chew Choon Tee

EXECUTIVE COMMITTEE
Sidney Chew Choon Tee (Chairman)
Jeffrey Tan Bock Chia
Chan Khai Leong
Francis Yau Thiam Hwa
Kwok Hwee Peng

COMPANY SECRETARY
Kwok Hwee Peng

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Services (a division of Tricor
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December 2017)

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Standard Chartered Bank
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MEGACHEM RAYA PTE LTD
MEGACHEM (SHANGHAI) PTE LTD
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FINANCIAL HIGHLIGHTS

SALES (S$'MIL)

2019	113.8
2018	117.9
2017	108.1
2016	99.8
2015	110.6

NET PROFIT AFTER TAX & BEFORE NON-CONTROLLING INTERESTS (S$'MIL)

2019	4.0
2018	4.3
2017	4.2
2016	2.2
2015	3.3

EPS (CENTS)

2019	2.88
2018	3.06
2017	3.18
2016	1.53
2015	2.22

EBITDA (S$'MIL)

2019	7.0
2018	6.9
2017	6.8
2016	5.6
2015	6.4

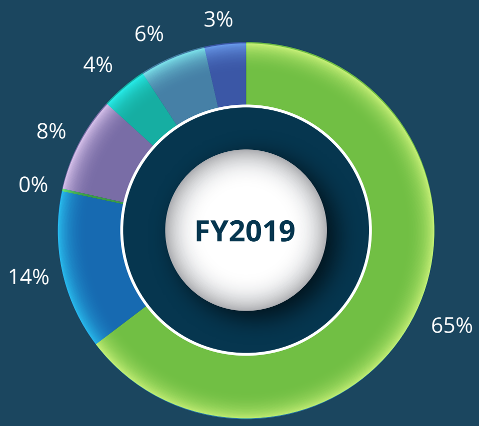
FINANCIAL HIGHLIGHTS

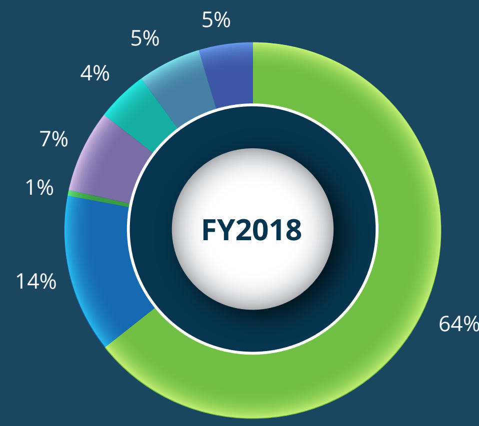
INCOME STATEMENT	2015	2016	2017	2018	2019
Sales (S$'mil)	110.6	99.8	108.1	117.9	113.8
Sales Growth (%)	-4.6%	-9.8%	8.4%	9.0%	-3.5%
Profit After Tax (S$'mil)	3.3	2.2	4.2	4.3	4.0
Profit After Tax Growth (%)	2.9%	-32.1%	88.1%	1.9%	-6.8%
Profit After Tax Margin (%)	3.0%	2.2%	3.9%	3.6%	3.5%
EBITDA (S$'mil)	6.4	5.6	6.8	6.9	7.0
EPS (cents)	2.22	1.53	3.18	3.06	2.88
Weighted Average Number of Ordinary Shares (mil)	133.3	133.3	133.3	133.3	133.3
ROE (%)	7.0%	4.9%	9.5%	8.7%	7.7%
HALF-YEAR BREAKDOWN	**2015**	**2016**	**2017**	**2018**	**2019**
Sales for first half (S$'mil)	57.6	51.3	51.4	59.0	55.8
% Growth 1H vs 1H	3.5%	-10.9%	0.2%	14.8%	-5.5%
Sales for second half (S$'mil)	53.0	48.5	56.7	58.9	58.0
% Growth 2H vs 2H	-12.1%	-8.5%	17.0%	3.8%	-1.4%
Profit After Tax for first half (S$'mil)	1.5	0.9	2.2	2.4	2.0
% Growth 1H vs 1H	30.7%	-38.3%	139.1%	8.9%	-16.0%
Profit After Tax for second half (S$'mil)	1.8	1.3	2.0	1.9	2.0
% Growth 2H vs 2H	-12.6%	-26.9%	52.3%	-6.0%	4.9%
FINANCIAL POSITION	**2015**	**2016**	**2017**	**2018**	**2019**
Total Assets (S$'mil)	77.7	73.2	79.9	81.7	86.2
Shareholders Equity (S$'mil)	42.2	42.0	44.6	47.2	49.6
Net Asset/Share (cents)	31.65	31.50	33.47	35.38	37.24
Borrowings (S$'mil)	18.3	15.3	16.7	19.5	18.4
Gearing ratio (times)	0.43	0.36	0.37	0.41	0.37
Cash (S$'mil)	11.1	11.6	9.3	12.2	14.9
Current ratio (times)	2.07	2.30	2.06	2.13	2.18
DIVIDEND	**2015**	**2016**	**2017**	**2018**	**2019**
Net Dividend/Share (cents)	1.00	1.20	1.20	1.50	1.50
Net Dividend Payout (%)	45.1%	78.4%	37.7%	49.0%	51.9%
Net Dividend Yield (%) (1)	2.8%	3.0%	2.8%	4.1%	4.8%

Note:
(1) Dividend Yield = Dividend per share/average of closing prices of the respective and its preceding financial year.

FINANCIAL HIGHLIGHTS

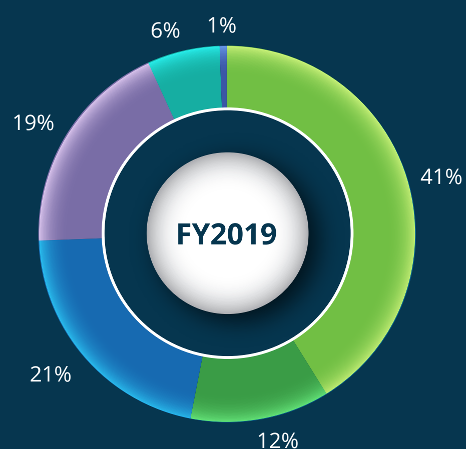
GLOBAL MARKETS

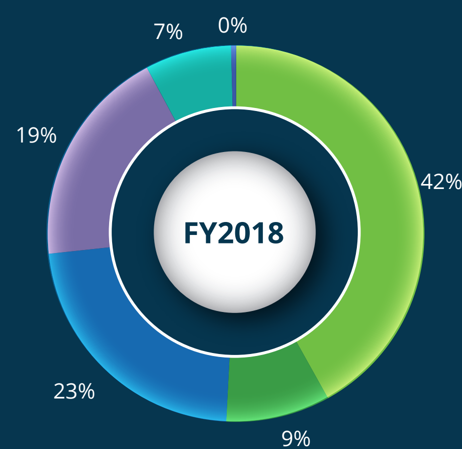




ASEAN · N Asia · America · Europe · S Asia · Middle East · Australia

INDUSTRY COVERAGE





Performance Coatings & Polymers · Advanced Polymer Composites · Surface Technology · Biotech · Oil & Gas · Resources

1.PROFITABILITY ANALYSIS
SALES

	H2 2018	H1 2019	H2 2019	Variance Fav/(Unfav) H2 2019 vs H1 2019		Variance Fav/(Unfav) H2 2019 vs H2 2018	
	S$'000	S$'000	S$'000	S$'000	%	S$'000	%
ASEAN	37,723	36,561	**37,002**	441	1.2	(721)	(1.9)
North Asia	7,761	6,795	**8,757**	1,962	28.9	996	12.8
Europe	4,514	4,897	**4,427**	(470)	(9.6)	(87)	(1.9)
Middle East	3,540	3,367	**3,135**	(232)	(6.9)	(405)	(11.5)
South Asia	2,683	2,280	**2,255**	(25)	(1.1)	(428)	(15.9)
Australia	2,545	1,770	**2,274**	504	28.5	(271)	(10.7)
America	86	106	**145**	39	36.5	59	70.1
Africa	-	2	**12**	10	481.7	12	100.0
Total	58,852	55,778	**58,007**	2,229	4.0	(845)	(1.4)

	FY 2018		FY 2019		Variance	
	S$'000	%	S$'000	%	S$'000	%
ASEAN	75,854	64.4	73,563	64.7	(2,291)	(3.0)
North Asia	16,063	13.6	15,552	13.7	(511)	(3.2)
Europe	8,352	7.1	9,323	8.2	971	11.6
Middle East	6,417	5.4	6,502	5.7	85	1.3
Australia	5,452	4.6	4,044	3.5	(1,408)	(25.8)
South Asia	5,177	4.4	4,535	4.0	(642)	(12.4)
America	563	0.5	252	0.2	(311)	(55.3)
Africa	-	-	14	-	14	100.0
Total	117,878	100.0	113,785	100.0	(4,093)	(3.5)

OPERATING AND FINANCIAL REVIEW

GEOGRAPHIC SEGMENT SALES ANALYSIS

H2 2019 vs H1 2019

After a dip in sales in the first half of 2019 ("H1 2019"), sales to North Asia and Australia grew notably by S$2.0 million or 28.9% and S$0.5 million or 28.5% respectively in the second half of 2019 ("H2 2019"). Sales to ASEAN picked up marginally by S$0.4 million or 1.2%.

On the other hand, sales to Europe markets dipped by S$0.5 million or 9.6% after an increase in H1 2019 and sales to Middle East and South Asia markets recorded consecutive fall in H2 2019.

This resulted in an overall increase of S$2.2 million or 4.0% in total sales to S$58.0 million in H2 2019.

H2 2019 vs H2 2018

As compared to the second half of 2018 ("H2 2018"), total sales of H2 2019 was marginally lower by S$0.8 million or 1.4%. The biggest decline was from the ASEAN market which decreased by S$0.7 million or 1.9% while other markets such as Middle East, South Asia and Australia decreased in the range of S$0.3 million to S$0.4 million.

The fall was partly offset by an increase in sales in North Asia market of S$1.0 million or 12.8%.

FY 2019 vs FY 2018

Because of lower business confidence amongst customers and softer prices, sales for the full year of 2019 ("FY 2019") decreased by S$4.1 million or 3.5% to S$113.8 million as compared to full year of 2018 ("FY 2018").

The decline was broad based across major markets such as ASEAN, North and South Asia, Australia and America. ASEAN and Australia sales fell S$2.3 million or 3.0% and S$1.4 million or 25.8% respectively.

This was followed by North Asia, South Asia and America markets which decline by S$0.5 million, S$0.6 million and S$0.3 million respectively.

On the other hand, Europe recorded higher sales of S$1.0 million or 11.6% while sales to Middle East improved marginally by S$0.1 million or 1.3%.

BUSINESS ACTIVITY SEGMENT SALES BREAKDOWN

	H2 2018	H1 2019	H2 2019	Variance Fav/(Unfav) H2 2019 vs H1 2019		Variance Fav/(Unfav) H2 2019 vs H2 2018	
	S$'000	S$'000	S$'000	S$'000	%	S$'000	%
Distribution activity	56,875	54,103	**55,935**	1,832	3.4	(940)	(1.7)
Manufacturing activity	1,977	1,675	**2,072**	397	23.7	95	4.8
Total Sales	58,852	55,778	**58,007**	2,229	4.0	(845)	(1.4)

	FY 2018	FY 2019	Variance Fav/(Unfav)	
	S$'000	S$'000	S$'000	%
Distribution activity	114,153	110,038	(4,115)	(3.6)
Manufacturing activity	3,725	3,747	22	0.6
Total Sales	117,878	113,785	(4,093)	(3.5)

H2 2019 vs H1 2019
H2 2019 vs H2 2018

Sales from both segments picked up in H2 2019 as compared to H1 2019.

Sales from distribution segment increased by S$1.8 million or 3.4% in H2 2019 over H1 2019 but were marginally lower by S$0.9 million or 1.7% as compared to H2 2018.

Sales from the contract manufacturing segment recorded higher sales of S$2.1 million in H2 2019, an increase of S$0.4 million or 23.7% as compared to H1 2019 and S$0.1 million or 4.8% improvement vis-à-vis H2 2018.

FY 2019 vs FY 2018

Year-on-year, sales from distribution segment decreased by S$4.1 million or 3.6% due to broad based decline across most major markets while sales from manufacturing segment remain relatively unchanged at S$3.7 million.

GROSS PROFIT

H2 2019 vs H1 2019

Gross profit margin for H2 2019 decreased by 0.9%-point as compared to H1 2019 mainly due to higher inventory write down and partly because of lower gross profit margins across certain major markets such as North Asia and Europe.

However, gross profit remained flat at S$14.1 million because of higher sales achieved in H2 2019 vis-à-vis H1 2019.

H2 2019 vs H2 2018

Although gross profit margin for H2 2019 (24.3%) was relatively unchanged as compared to H2 2018 (24.6%), gross profit decreased by S$0.4 million or 2.8% as a result of lower sales achieved.

FY 2019 vs FY 2018

Due to higher inventory write down in the current year, gross profit margin for FY 2019 dipped by 0.2%-point year-on-year. Coupled with lower sales in FY 2019, gross profit decreased by S$1.3 million or 4.3% vis-à-vis FY 2018.

OPERATING AND FINANCIAL REVIEW

OTHER INCOME

	H2 2018	H1 2019	H2 2019	Variance Fav/(Unfav) H2 2019 vs H1 2019		Variance Fav/(Unfav) H2 2019 vs H2 2018	
	S$'000	S$'000	S$'000	S$'000	%	S$'000	%
Bad debt recovered	73	74	**278**	204	275.5	205	283.0
Change in fair value of financial assets at fair value through profit or loss - forward foreign exchange contracts	(97)	28	**(23)**	(51)	(182.5)	74	76.1
Grant income	-	17	**-**	(17)	(100.0)	-	-
Gain on disposal of plant and equipment	-	5	**2**	(3)	(64.6)	2	100.0
Interest income	79	88	**96**	8	8.9	17	21.4

	FY 2018	FY 2019	Variance Fav/(Unfav)	
	S$'000	S$'000	S$'000	%
Bad debt recovered	113	352	239	210.7
Change in fair value of financial assets at fair value through profit or loss - forward foreign exchange contracts	45	5	(40)	(89.1)
Grant income	78	17	(61)	(78.6)
Gain on disposal of plant and equipment	45	7	(38)	(85.4)
Interest income	123	184	61	50.3

H2 2019 vs H1 2019

Other income in H2 2019 was higher by S$0.1 million or 62.7% and this was primarily due to higher bad debt recovered. The bad debt recovered in H2 2019 was mainly from Venezuela customers.

The increase was partly offset by lower fair value gain from forward contracts and lower grant income.

H2 2019 vs H2 2018

Similarly, the increase in other income by S$0.3 million or 462.1% as compared to H2 2018 was mainly due to bad debt recovered from Venezuela customers. In addition, the reversal of fair value gain from forward contracts was lower in H2 2019.

FY 2019 vs FY 2018

Year-on-year, other income increased by S$0.2 million or 38.6%. This was due to higher bad debt recovered of S$0.2 million and higher interest income of S$0.1 million.

The increase was partially offset by lower grant income, lower fair value gain from forward foreign exchange contracts and lower gain on disposal of plant and equipment.

OPERATING EXPENSES

	H2 2018	H1 2019	H2 2019	Variance Fav/(Unfav) H2 2019 vs H1 2019		Variance Fav/(Unfav) H2 2019 vs H2 2018	
	S$'000	S$'000	S$'000	S$'000	%	S$'000	%
Change in fair value of financial assets at fair value through profit or loss - listed equity security	40	-	**118**	(118)	(100.0)	(78)	(193.8)
Depreciation of right-of-use assets	-	186	**179**	7	3.4	(179)	(100.0)
Impairment of trade receivables	185	82	**14**	68	82.9	171	92.4
Net foreign exchange loss	211	23	**83**	(60)	(267.1)	128	60.4
Professional fees	298	271	**414**	(143)	(53.0)	(116)	(38.8)
Travelling and transport	538	435	**465**	(30)	(7.0)	73	13.6
Rental	239	72	**96**	(24)	(35.3)	143	59.6
Warehouse storage charges	1,244	1,258	**1,328**	(70)	(5.5)	(84)	(6.7)

H2 2019 vs H1 2019

Total operating expenses of S$12.2 million incurred in H2 2019 were S$0.5 million or 4.0% higher vis-à-vis H1 2019.

The main reasons contributing to the increase were:
(i) higher professional fees of S$0.1 million;
(ii) higher net foreign exchange loss of S$0.1 million;
(iii) higher warehouse storage charges of S$0.1 million; and
(iv) fair value loss from listed equity of S$0.1 million,

The increase was partially offset by lower impairment of trade receivables of S$0.1 million.

H2 2019 vs H2 2018

As compared to H2 2018, the total operating expenses were relatively unchanged. Higher warehouse storage charges, professional fees and fair value loss from listed equity offset lower impairment of trade receivables, net foreign exchange loss and traveling and transport.

The decrease in rental expenses of S$143,000 was due to the adoption of SFRS(I) 16 which requires the recognition of right-of-use asset for operating lease arrangement. Correspondingly, depreciation of right-of-use assets of S$179,000 was recorded in H2 2019.

OPERATING AND FINANCIAL REVIEW

FY 2019 vs FY 2018

	FY 2018	FY 2019	Variance Fav/(Unfav)	
	S$'000	S$'000	S$'000	%
Change in fair value of financial assets at fair value through profit or loss - listed equity security	240	118	122	51.0
Depreciation of right-of-use assets	-	365	(365)	(100.0)
Impairment of trade receivables	338	96	242	71.5
Net foreign exchange loss	748	106	642	85.8
Professional fees	596	685	(89)	(15.0)
Travelling and transport	1,056	900	156	14.8
Rental	481	168	313	65.1
Warehouse storage charges	2,335	2,586	(251)	(10.7)

Lower impairment of trade receivables of S$0.2 million, lower net foreign exchange loss of S$0.6 million, lower fair value loss from listed equity of S$0.1 million and lower travelling expenses of S$0.2 million were the main reasons that led to the decrease in total operating expenses in FY 2019.

The decrease was partially offset by higher warehouse storage charges of S$0.3 million and higher professional fees of S$0.1 million.

Similarly, as explained above, the decrease in rental expenses of S$0.3 million was due to the adoption of SFRS(I) 16 which requires the recognition of right-of-use asset for operating lease arrangement. Correspondingly, depreciation of right-of-use assets of S$0.4 million was recorded in FY 2019.

As a result, total operating expenses decreased by S$0.6 million or 2.5% to S$23.9 million year-on-year.

FINANCE COSTS

Finance costs comprised the following:-

	H2 2018	H1 2019	H2 2019	Variance Fav/(Unfav) H2 2019 vs H1 2019		Variance Fav/(Unfav) H2 2019 vs H2 2018	
	S$'000	S$'000	S$'000	S$'000	%	S$'000	%
Bills payables	262	272	**201**	71	26.4	61	23.3
Bank loans	139	153	**247**	(94)	(61.9)	(108)	(77.0)
Leases for right-of-use assets	-	72	**71**	1	1.7	(71)	(100.0)
Total finance costs	401	497	**519**	(22)	(4.3)	(118)	(29.2)

	FY 2018	FY 2019	Variance Fav/(Unfav)	
	S$'000	S$'000	S$'000	%
Bills payables	493	473	20	4.0
Bank loans	257	400	(143)	(55.3)
Leases for right-of-use assets	-	143	(143)	(100.0)
Total finance costs	750	1,016	(266)	(35.4)

H2 2019 vs H1 2019

As compared to H1 2019, total finance costs for H2 2019 increased marginally by S$22,000 or 4.3% due to higher interest rates and an increase in borrowings.

H2 2019 vs H2 2018

Finance costs on lease liabilities in relation to operating lease arrangements were recorded in accordance with SFRS(I) 16 in H2 2019.

Excluding the finance costs on leases, finance costs for H2 2019 would have increased by S$47,000 or 11.6% over H2 2018 due to higher interest rates and an increase in borrowings.

FY 2019 vs FY 2018

For same reasons noted above, total finance costs increased by S$0.3 million or 35.4% year-on-year. Excluding the finance costs on leases, finance costs for FY 2019 would have increased by S$0.1 million or 16.4%.

SHARE OF PROFIT OF ASSOCIATED COMPANIES

H2 2019 vs H1 2019
H2 2019 vs H2 2018

Our share of profit of associated companies improved in H2 2019 to S$0.6 million as compared to S$0.5 million in H1 2019 as a result of better gross profit margin and lower total expenses.

Vis-à-vis H2 2018, the higher share of profits in H2 2019 was mainly due to absence of impairment loss from a discontinued business and higher profits contribution from acquired distribution business.

FY 2019 vs FY 2018

Our share of profit of associated companies increased by S$0.3 million or 43.9% as compared to FY 2018 mainly due to absence of impairment loss a discontinued business and profit contribution from the acquired distribution business.

PROFIT BEFORE INCOME TAX

H2 2019 vs H1 2019
H2 2019 vs H2 2018

Net profit before tax for H2 2019 decreased by S$0.2 million or 6.5% as compared to H1 2019. The higher total operating expenses and finance costs more than offset the increase in other income and share of profit of associated companies.

On the other hand, although gross profit was lower by S$0.4 million, net profit before tax for H2 2019 was S$0.1 million or 2.2% higher than H2 2018 because of higher other income and higher share of profit of associated companies.

FY 2019 vs FY 2018

Net profit before tax decreased by S$0.4 million or 7.7% year-on-year and the main reason was due to lower sales and hence lower gross profit of S$1.3 million. The decline was partially cushioned by higher other income, higher share of profit of associated companies and lower total operating expenses.

On the other hand, EBITDA improved slightly by S$0.1 million to S$7.0 million mainly because rental expenses were lower under the adoption of SFRS(I) 16.

NET PROFIT AFTER TAX

H2 2019 vs H1 2019
H2 2019 vs H2 2018

Net profit after tax for H2 2019 at S$2.0 million was flat as compared to H1 2019 and was S$0.1 million higher than H2 2018.

FY 2019 vs FY 2018

In line with the lower net profit before tax, net profit after tax decreased by a small magnitude of S$0.3 million or 6.8% year-on-year.

TOTAL COMPREHENSIVE INCOME

H2 2019 vs H1 2019
H2 2019 vs H2 2018

The translation gains recorded for H2 2019 and H1 2019 of S$0.2 million and S$0.1 million respectively were largely due to the appreciation of Thai Baht against Singapore Dollar. On the hand, translation losses of S$0.2 million incurred in H2 2018 primarily arose from the weakening of Malaysian Ringgit.

As a result, comprehensive income for H2 2019 of S$2.2 million was S$0.1 million higher than H1 2019 and S$0.5 million higher than H2 2018.

FY 2019 vs FY 2018

Translation gains recorded for both FY 2019 and FY 2018, arising mainly from the appreciation of Thai Baht against Singapore Dollar, were flat at S$0.3 million. Correspondingly, comprehensive income also decreased by S$0.3 million or 6.1% over FY 2018.

2.BALANCE SHEET ANALYSIS

Balance Sheet Highlights	As at 31 December 2018	As at 31 December 2019	Variance 31 December 2019 vs 31 December 2018 Fav/(Unfav)
Cash (S$'mil)	12.2	14.9	2.7
Borrowings (S$'mil)	19.5	18.4	1.1
Current ratio (times)	2.1	2.2	0.1
Gearing ratio (times)	0.41	0.37	0.04
Net assets per share attributable to equity holders of the Company (cents)	35.38	37.24	1.86
Inventory turnover (days)	118	124	(6)
Trade receivables turnover (days)	84	75	9
Trade payable turnover (days)	35	30	(5)

Property, plant and equipment
There was no significant change in the carrying value of property, plant and equipment as at 31 December 2019 and 31 December 2018. Capital expenditure of S$0.5 million for plant and machinery and computer was offset by depreciation charge of S$0.9 million in the current year.

Right-of-use assets
Upon the adoption of SFRS(I) 16, right-of-use assets of S$2.8 million was recognized as at 1 January 2019. The carrying value remained relatively unchanged at S$2.8 million as at 31 December 2019 as new lease arrangements recognized of S$0.4 million were offset by depreciation charge of S$0.4 million in FY 2019.

Investment in associated companies
The increase in carrying value of our associated companies by S$0.8 million or 14.7% was mainly due to positive contribution from operation for the current year of S$1.1 million and translation gain of S$0.4 million offset by dividend return of S$0.7 million.

Deferred tax assets
The carrying value of deferred tax assets increased by S$0.2 million from S$262,000 as at 31 December 2018 to S$442,000 as at 31 December 2019 following recognition of more deferred tax asset arising from provision.

Trade and other receivables
Net third party trade receivables decreased by S$1.9 million or 8.2% from S$23.5 million as at 31 December 2018 to S$21.6 million as at 31 December 2019. The reduction was because of slower sales in the current year as compared to last year.

Turnover days for FY 2019 improved to 75 days from 84 days in FY 2018.

OPERATING AND FINANCIAL REVIEW

Inventories

Inventories decreased by S$0.7 million or 2.6% from S$26.1 million as at 31 December 2018 to S$25.4 million as at 31 December 2019. The decrease in inventories was in line with slower sales in the current year. Hence, inventory turnover days increased to 124 days as compared to 118 days for the full year of 2018.

Other current assets

Other current assets increased by S$0.3 million to S$2.4 million as compared S$2.1 million as at 31 December 2018 mainly due to S$0.2 million higher advance payments to suppliers for inventory purchase.

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

The decrease in financial assets at fair value through profit or loss was mainly due to fair value loss of S$118,000 in listed equity and a decrease in fair value gain of forward contracts of S$39,000.

Financial liabilities at fair value through profit or loss were not significant as at 31 December 2019 and 31 December 2018.

Trade and other payables

Total trade payables increased by S$0.3 million or 5.7% from S$6.6 million as at 31 December 2018 to S$6.9 million at 31 December 2019 while turnover days for FY 2019 decreased to 30 days from 35 days in FY 2018.

Other payables in aggregate consisting of accrued operating expenses, advance payments from customer and sundry payables decreased by S$0.3 million from S$5.5 million as at 31 December 2018 to S$5.2 million as at 31 December 2019. This was primarily due to lower accrued operating expenses and full repayment of amount due to director.

Financial liabilities - lease liabilities

Corresponding to the recognition of right-of-use assets, lease liabilities of S$2.8 million was recorded as at 1 January 2019. The carrying value increased to S$2.9 million as at 31 December 2019 as a result of additional lease liabilities recognized of S$0.4 million offset by S$0.3 million repayment in the current year.

Borrowings

Total borrowings decreased by S$1.1 million or 5.5% and this was mainly due to repayment of long term bank loans of S$0.8 million during the current year and reduction in bills payables and short term loans of S$0.3 million.

In line with lower borrowings, our gearing ratio decreased marginally from 0.41 times as at 31 December 2018 to 0.37 times as at 31 December 2019.

Net asset value

Net asset value per share increased from 35.38 cents as at 31 December 2018 to 37.24 cents as at 31 December 2019 primarily due to total comprehensive income for the current year of S$4.2 million offset by dividend payment to shareholders of S$1.7 million.

3.CASHFLOW

As a result of better collection and lower inventory purchases, positive cash flows from operating activities of S$6.6 million were generated. This was partially utilized to reduce borrowings and satisfy dividends and other financing obligations totaling S$4.1 million.

Overall cash and cash equivalents increased by S$2.7 million from S$12.2 million as at 31 December 2018 to S$14.9 million as at 31 December 2019.

SHARE INFORMATION

Share Information (as at 19 February 2020)	
Listing Date	17 October 2003
Initial Public Offering Price	28 cents
Historical High	68 cents
Historical Low	13 cents
52 weeks High	38 cents
52 weeks Low	20.5 cents
Price (as at 19 February 2020)	32.5 cents

No of Shares	133,300,000
Earnings per share ("EPS") FY 2019	2.88 cents
Historical P/E(a)	11.3 x
Market Capitalisation	$43.3 mil
Net tangible assets ("NTA") per share	37.24 cents
Price/Book Ratio (b)	0.87

Note :
(a) P/E = price as at 19 February 2020 / EPS FY 2019
(b) Price/Book ratio = price as at 19 February 2020/ NTA per share as at 31 December 2019

Megachem

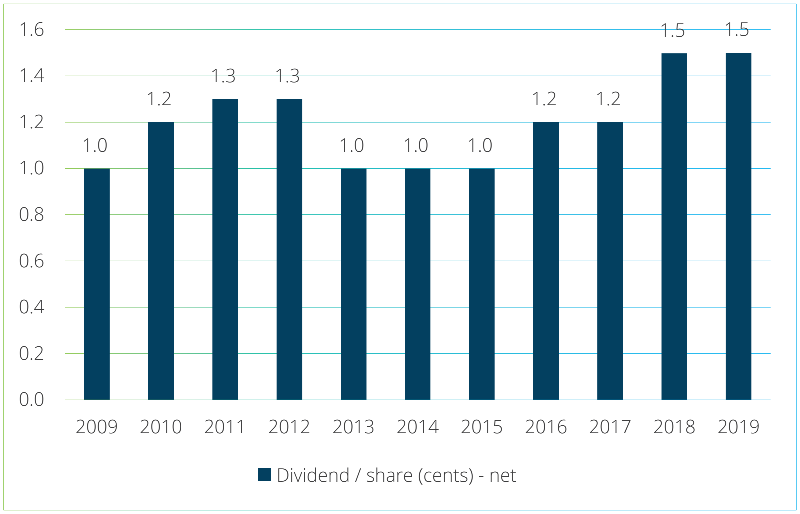
Share price chart : 1 year to 19 February 2020

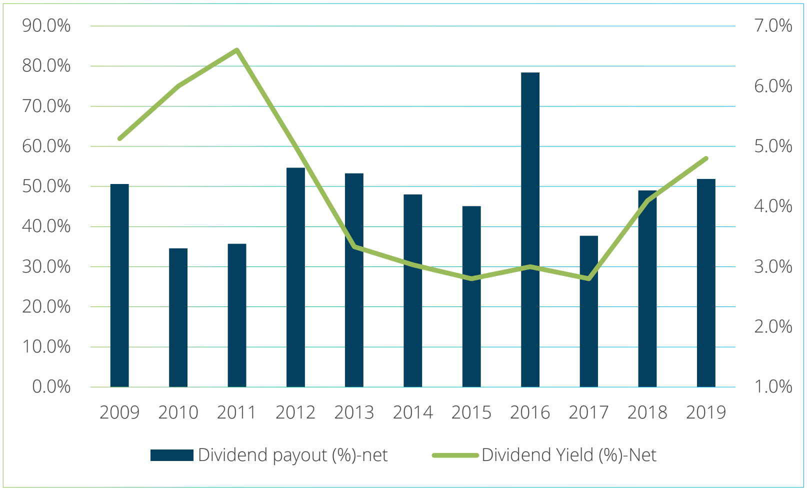
Megachem vs ST all shares & ST Catalist

Share price chart : 1 year to 19 February 2020

DIVIDEND

	cents/share
Interim Dividend	0.5
Final Dividend (subject to Shareholders approval at the upcoming AGM)	1.0
Total FY2019 Dividend	1.5





Dividend Policy

In its consideration for dividend payment, the Company takes into account, among other factors, current cash position, future cash needs, profitability, retained earnings and business outlook. The Company takes the view that committing to a fixed dividend policy may jeopardise its financial position in times of adverse changes in the market conditions. Hence, the Company does not disclose a dividend policy to its shareholders. Nevertheless, the Company has been making dividend payments every year since its initial public listing.

* Average price is the average of 31 December 2018 closing price of 32 cents/share and 31 December 2019 closing price of 30 cents/share.

** Dividend yield = full year dividend per share / average price.

YEAR IN REVIEW

FEBRUARY 2019

Megachem capped off its 30th anniversary with record sales of S$117.9 million and a net profit after tax of S$4.3 million for FY18, led by broad-based growth across major markets and the manufacturing segment. A final tax exempt dividend of 0.8 cent per share was proposed for FY 2018.

MARCH 2019

Mr Toshiyuki Yokogawa resigned as Non-Executive Director of the Company with effect from 1 March 2019. At the same time, Mr Tatsuyuki Sakoda was appointed as Non-Executive Director with effect from 1 March 2019.

APRIL 2019

- Annual General Meeting for FY 2018.
- Extraordinary General Meeting to approve and adopt new Constitution of the Company.

MAY 2019

A final tax exempt dividend of 0.8 cent per share for FY 2018 was paid.

AUGUST 2019

Megachem reported net profit after tax of S$2.0 million on revenue of S$55.8 million for the financial half year ended 30 June 2019. An interim tax exempt dividend of 0.5 cent per share was declared.

SEPTEMBER 2019

An interim tax exempt dividend of 0.5 cent per share was paid.

FEBRUARY 2020

Amid challenging business environment, Megachem reported net profit after tax of S$4.0 million on revenue of S$113.8 million in FY 2019. A final tax exempt dividend of 1.0 cent per share was proposed for FY 2019 (subject to approval by shareholders at its forthcoming annual general meeting).

FINANCIAL CALENDAR

FEBRUARY 2020

20 Results Announcement for Financial Year ended 31 December 2019

21 Analyst Briefing

24-28 Online Q&A with investors & shareholders

MARCH 2020

2-6 Response to Online Q&A

APRIL 2020

14 Annual General Meeting

MAY 2020

5 Record Date (subject to approval at annual general meeting)

20 Dividend Payment Date (subject to approval at annual general meeting)

AUGUST 2020

Results Announcement for Half Year ending 30 June 2020

Analyst Briefing

Online Q&A with investors & shareholders

Response to Online Q&A

FEBRUARY 2021

Results Announcement for Financial Year ending 31 December 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

The directors of Megachem strongly support the principles of transparency, accountability and integrity as set out in the Code of Corporate Governance 2018 (the "**Code**"). This report describes the Company's corporate governance policies and practices which were in place during the financial year ended 31 December 2019 ("**FY 2019**"), with specific reference to the Principles and Provisions of the Code and accompanying Practice Guidance.

The Code aims to promote high levels of corporate governance by putting forth Principles of good corporate governance and Provisions with which companies are expected to comply. The Practice Guidance complements the Code by providing guidance on the application of the Principles and Provisions and setting out best practices for companies.

Pursuant to Rule 710 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Catalist Rules**"), the Board confirms that the Company and Group, have for FY2019 complied with the Principles as set out in the Code. The Board also confirms that where there are deviations from the Provisions of the Code, explanations for the deviation and how the Group's practices are consistent with the intent of the relevant principle are provided in the sections below:-

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Provision 1.1 of the Code: Directors are fiduciaries who act objectively in the best interests of the Company

As at the date of this Report, the Board comprises the following members, all of whom possess the appropriate core competencies and diversity of experience needed to enable them to effectively contribute to the Group.

Name	Designation	Audit Committee	Nominating Committee	Remuneration Committee	Executive Committee
Mr Lee Bon Leong[(1)]	Independent and Non-Executive Chairman	Member	Chairman	Member	-
Mr Sidney Chew Choon Tee	Managing Director	-	Member		Chairman
Mr Jeffrey Tan Bock Chia	Executive Director	-	-	-	Member
Mr Chan Kam Loon	Independent Director	Chairman	Member	Member	-
Dr Tay Kin Bee	Independent Director	Member	-	Chairman	-
Mr Tatsuyuki Sakoda[(2)]	Non-Executive Director	-	-	-	-
Mr Francis Yau Thiam Hwa	Chief Financial Officer	-	-	-	Member
Mr Chan Khai Leong	Group General Manager	-	-	-	Member
Ms Kwok Hwee Peng	Group Finance Manager & Company Secretary	-	-	-	Member

(1) *Mr Lee Bon Leong was appointed as Independent and Non-Executive Chairman of the Board on 1 March 2020 to replace Mr Sidney Chew Choon Tee.*

(2) *Mr Tatsuyuki Sakoda was appointed as Non-Executive Director on 1 March 2019 as a nominee of the Company's controlling shareholder, Chori Co. Ltd. Mr Tatsuyuki Sakoda replaced Mr Toshiyuki Yokogawa who stepped down from his role as a Non-Executive Director on 1 March 2019 due to his retirement from Chori Co. Ltd.*

The principal functions of the Board, in addition to carrying out its statutory responsibilities, ***inter alia***, are as follows:

- overseeing and approving the formulation of the Group's overall long-term strategic objectives and directions, corporate strategy and objectives as well as business plans, taking into consideration sustainability issues;
- overseeing and reviewing the management of the Group's business affairs and financial controls, performance and resource allocation, including ensuring that the required financial and human resources are available for the Group to meet its objectives;
- establishing a framework of prudent and effective controls to assess and manage risks and safeguard shareholders' interests and the Group's assets;
- to review the Management's performance;
- to set the Group's values and standards and ensure that obligations to shareholders and other stakeholders are understood and met;
- to approve the release of the Group's financial results, annual reports and announcements to shareholders
- to review and approve related party transactions to ensure compliance with relevant rules and terms stated in shareholders' mandate; and
- to assume the responsibilities for corporate governance.

All directors recognize that they have to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Board is a representation of the shareholders in the Company and is accountable to them through effective governance of the business.

Each director is required to promptly disclose any actual, potential and perceived conflict of interest, in relation to a transaction or proposed transaction with the Group as soon as practicable after the relevant facts have come to his/her knowledge. On an annual basis, each director is also required to submit details of his associates for the purpose of monitoring interested person transactions. Any director facing a conflict of interest will recuse himself from the discussions and abstain from participating in any Board decisions and voting on resolutions regarding the matter.

The Company has established a Code of Business Ethics that sets the principles of business ethics for the Group and covers areas such as business conduct, protection of Company's assets, confidentiality of information and conflicts of interest. All staff of the Group are expected to uphold high standards of integrity that are in compliance with the Company's Code as well as laws and regulations of the countries in which they operate.

Provision 1.2 of the Code: Directors' induction, training and development

Newly appointed Directors will receive a formal letter explaining their duties and responsibilities, and will undergo orientation and be briefed on the business and governance practices of the Group as well as industry-specific knowledge. As stipulated under Rule 406(3)(a) of the Catalist Rules, directors who are appointed and who have no prior experience as directors of a listed company in Singapore will have to attend the Listed Entity Director ("**LED**") courses organized by the Singapore Institute of Directors within 1 year of his appointment. Briefings on the roles and responsibilities as directors of a listed company in Singapore will be conducted for the new appointees. They may also attend courses conducted by other training institutions in areas such as accounting, legal and industry specific knowledge, where appropriate, in connection with their duties. Mr Tatsuyuki Sakoda, who was appointed as a Non-Executive Director of the Company with effect from 1 March 2019, had attended the LED courses organized by the Singapore Institute of Directors in 2019 and was also briefed on the roles and responsibilities as director of a listed company.

CORPORATE GOVERNANCE REPORT

Directors may request to visit the Group's operating facilities and meet with the Management to gain a better understanding of the Group's business operations and corporate governance practices. The Directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group and attendance of appropriate courses and seminars will be arranged and funded by the Company. The external auditors, during their presentation of the audit plan, will update the Directors on the new or revised financial reporting standards on an annual basis. Our Company's Continuing Sponsor, SAC Capital Pte Ltd, provides updates to the Board whenever there are changes to the listing rules or the Code of Corporate Governance.

Provision 1.3 of the Code: Matters requiring Board's approval

Although the day-to-day management of the Company is delegated to the Executive Directors, the approval of the Board is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, major corporate actions such as share issuance, the release of the Group's results and announcement to shareholders, declaration of dividends and interested person transactions.

Provision 1.4 of the Code: Board Committees

To assist the Board in discharging its oversight functions and execution of its responsibilities, the Board has established three Board Committees, comprising an Audit Committee (the "**AC**"), a Nominating Committee (the "**NC**") and a Remuneration Committee (the "**RC**"). These Board Committees function within clearly defined written terms of reference and operating procedures. The terms of reference of the respective Board Committees, which are reviewed by the Board on a regular basis, as well as other relevant information on the Board Committees can be found in the subsequent sections of this report.

Provision 1.5 of the Code: Board Meetings and Attendance

The Board meets regularly on a quarterly basis and ad-hoc Board Committee or Board meetings are convened when they are deemed necessary. In between Board meetings, other important matters will be tabled for the Board's approval by way of circulating resolutions in writing.

The Constitution of the Company provides for meetings of the Board to be held by way of telephonic or video conference.

The attendance of the Directors at scheduled Board Committee and Board meetings held in FY2019 is set out below:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	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
Mr Sidney Chew Choon Tee	4	4	2	na	1	1	1	na
Mr Jeffrey Tan Bock Chia	4	4	2	na	1	Na	1	na
Mr Lee Bon Leong	4	4	2	2	1	1	1	1
Mr Chan Kam Loon	4	4	2	2	1	1	1	1
Dr Tay Kin Bee	4	4	2	2	1	Na	1	1
Mr Tatsuyuki Sakoda(1)	4	3	2	na	1	Na	1	na
Mr Toshiyuki Yokogawa	4	1	2	na	1	Na	1	na

Note:

(1)*Mr Tatsuyuki Sakoda was appointed as Non-Executive Director on 1 March 2019 as a nominee of the Company's controlling shareholder, Chori Co. Ltd. Mr Tatsuyuki Sakoda replaced Mr Toshiyuki Yokogawa who stepped down from his role as a Non-Executive Director on 1 March 2019 due to his retirement from Chori Co. Ltd.*

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company. The NC is satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations. The NC is of the view that the matter relating to multiple board representations should be left to the judgement of each Director given that time requirements for different board representations vary. As such, the NC and the Board have decided that there is no necessity to determine the maximum number of listed company board representations which a Director may hold. None of the Directors hold more than 4 directorships in listed companies concurrently.

Provision 1.6 of the Code: Access to information

The Company recognises that the flow of relevant, complete and accurate information on a timely basis is critical for the Board to discharge its duties effectively. The Management provides the Board with quarterly management accounts, as well as relevant background or explanatory information relating to the matters that would be discussed at the Board meetings, prior to the scheduled meetings. All directors are also furnished with updates on the financial position and any material developments of the Group as and when necessary.

Provision 1.7 of the Code: Access to Management and Company Secretary

The Board has separate and independent access to the Company Secretary and the Management at all times. The Board will have independent access to professional advice when required at the Company's expense, subject to the approval of the Chairman.

Under the direction of the Chairman, the Company Secretary facilitates information flow within the Board and its Board Committees and between the Management and Non-Executive Directors. The Company Secretary attends all meetings of the Board and Board committees and ensures that all Board procedures are followed and applicable rules and regulations are complied with. The minutes of all Board committee meetings are circulated to the Board. The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1 of the Code: Director independence
Provision 2.2 of the Code: Independent directors make up a majority of the Board
Provision 2.3 of the Code: Non-executive directors make up a majority of the Board

The Board comprises six Directors, of whom three are independent. The Company notes that Provision 2.2 of the Code requires that independent directors should make up a majority of the Board where the Chairman is not independent. Mr Sidney Chew Choon Tee ("**Mr Sidney Chew**") stepped down as Chairman of the Board with effect from 1 March 2020. And Mr Lee Bon Leong was re-designated as an Independent and Non-Executive Chairman of the Board in place of Mr Sidney Chew. With an Independent Chairman of the Board and half of the Board made up of independent directors, the Board is capable of exercising independent and objective judgement on corporate affairs of the Group.

The independence of each Director is reviewed annually by the NC and the Board. Each Independent Director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code and the Catalist Rules. The NC adopts the Code's definition of what constitutes an "independent" director in its review. The NC takes into account, among other things, whether a Director has business relationships with the Company, its related companies, its substantial shareholders or its officers, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. Although Dr Tay Kin Bee is a director of SPCI Pte Ltd ("**SPCI**") which sold products to the Group, the NC considers him to be independent as he is not a shareholder of SPCI and the amount paid to SPCI for the sale of products to the Group is not material. As such the NC is of the view that the business relationship does not affect Dr Tay Kin Bee's ability and judgement to act independently. The NC and the

Board are of the view that all its Independent Directors have satisfied the criteria of independence in accordance to the Code, its Practice Guidance and Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalist Rules as a result of its review.

The independence of any Director who has served on the Board beyond nine years from the date of his first appointment will be subject to more rigorous review, taking into account the need for progressive refreshing of the Board. As at the date of this report, Mr Lee Bon Leong and Mr Chan Kam Loon have served on the Board for a period exceeding nine years from the date of their appointments. After due consideration and careful assessment, the NC and the Board are of the view that both directors have during their tenure acted independently in the best interest of Company. Mr Lee Bon Leong and Mr Chan Kam Loon continue to demonstrate the essential characteristics of independence expected by the Board and in-depth knowledge of the Group's business. Furthermore, Mr Lee Bon Leong's legal expertise and Mr Chan Kam Loon's experience in accounting and finance contributed greatly to the effectiveness of the Board and matters relating to the strategic direction and corporate governance of the Group. Nevertheless, in accordance with Rule 406(3)(d)(iii) of the Catalist Rules, they will be subjected to a re-election via a two-tier shareholders vote, i.e. (i) by all shareholders and (ii) by all shareholders excluding shareholders who are directors or CEO, when the said Catalist Rule comes into effect from 1 January 2022.

Provision 2.4 of the Code: Board Composition

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group and the requirements of the Group's business. The NC is of the view that no individual or small group of individuals dominate the Board's decision-making.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The Board as a group provides an appropriate balance of diversity of skills, experience, gender and knowledge of the Company, with core competencies in accounting and finance, legal expertise, business and management experience, industry knowledge, strategic planning and customer-based experience and knowledge. This enables the Management to benefit from the external and expert perspectives of the Directors who collectively possess the core competencies relevant to the direction and growth of the Group.

Provision 2.5 of the Code: Meeting of Independent Directors without Management

Where necessary or appropriate, the Independent Directors will meet without the presence of the Management. The Independent Directors communicate regularly to discuss matters related to the Group, including the performance of the Management. Where appropriate, Independent Directors provide feedback to the Board after such meetings.

The profiles of our Directors are set out on pages 17-22 of this Annual Report

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1 of the Code: Separation of the roles of the Chairman and the Chief Executive Officer ("CEO")
Provision 3.2 of the Code: Division of responsibilities between the Chairman and CEO
Provision 3.3 of the Code: Lead Independent Director

The Chairman, Mr Lee Bon Leong and the Managing Director, Mr Sidney Chew are separate persons and have no familial relationship with each other.

Mr Sidney Chew is responsible for formulating corporate strategies, leading the Group's marketing and business development activities as well as ensuring the smooth operation of the Group.

The Board is of the view that as all major decisions are made in consultation with the Board and with the establishment of the three Board Committees, there are adequate safeguards in place to ensure accountability and unfettered decision-making, as well as to prevent an uneven concentration of power and authority in a single individual.

The Chairman, in consultation with the Management, ensures:

- that Board meetings are held as and when necessary to enable the Board to perform its duties responsibly, while not interfering with the flow of the Company's operations;
- that the agenda for Board meetings are prepared, with the assistance of the Company Secretary;
- the exercise of control over the quality, quantity and timeliness of information between the Management and the Board and the facilitation of effective contribution from the Independent Directors;
- effective communication with shareholders and compliance with corporate governance best practices; and
- compliance with the Company's guidelines on corporate governance.

Following the re-designation of Mr Lee Bon Leong as Independent and Non-Executive Chairman on 1 March 2020, it was not necessary to have a Lead Independent Director, which was previously held by Mr Chan Kam Loon.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provision 4.1 of the Code: Role of the NC
Provision 4.2 of the Code: Composition of NC

The NC is responsible for making recommendations on all board appointments and re-nominations, having regard to the contribution and performance of the Director seeking re-election.

The NC comprises Mr Lee Bon Leong (Chairman of NC), Mr Chan Kam Loon and Mr Sidney Chew Choon Tee. A majority of the NC, including the Chairman of the NC, is independent. The Chairman of the NC is not, and is not directly associated with, any substantial shareholder of the Company. The NC holds at least one meeting in each financial year.

The written terms of reference of the NC have been approved and adopted, and they include the following:–

(a) developing and maintaining a formal and transparent process for director appointments and re-nomination and making recommendations to the Board on director appointment and re-appointment (including the appointment of alternate Directors, if any), and recommending to the Board re-nominations of existing Directors for re-election in accordance with the Company's Constitution, having regard to their competencies, commitment, contribution and performance and taking into consideration the composition and progressive renewal of the Board;

(b) making recommendations to the Board on relevant matters relating to the review of succession plans for the Directors, in particular, for the Chairman and Managing Director as well as for key management personnel;

(c) reviewing and approving any new employment of related persons and the proposed terms of their employment;

(d) determining on an annual basis, and as and when circumstances require, whether or not a Director is independent;

(e) in respect of a Director who has multiple board representations on various companies, to review and decide whether or not such Director is able to and has been adequately carrying out his duties as a Director, having regard to the competing time commitments that are faced by the Director when serving on multiple boards and discharging his duties towards other principal commitments;

(f) reviewing training and professional development programs for the Board;

(g) developing a process for evaluating the performance of the Board, its committees and the Directors and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long-term shareholders' value; and

(h) to assess the effectiveness of the Board as a whole and its Board committees and the contribution by the Chairman and each individual Director to the effectiveness of the Board.

Provision 4.3 of the Code: Board renewal and succession planning

The Company does not have a formal criterion of selection for the appointment of new Director to the Board. When the need for a new Director arises, or where it is considered that the Board would benefit from the services of a new Director with particular skills or to replace a retiring Director, the NC, in consultation with the Board, will determine the selection criteria and will select candidates with the appropriate expertise and experience for the position. In its search and nomination process for new Director, the NC may rely on search companies, personal contacts and recommendations for the right candidates. The NC ensures that the newly appointed Director is aware of their duties and obligations.

Board appointments are made by the Board after the NC has, upon reviewing the resume of the proposed Director and conducting appropriate interviews, recommended the appointment to the Board. The NC is also in charge of re- nominating the Directors, having regard to their contribution and performance. Pursuant to the Constitution of the Company, one-third of the Directors shall retire from office at the Company's annual general meeting every year, provided that all Directors shall retire from office at least once every three years. Newly appointed Director by the Board is required to retire at the next annual general meeting following his appointment. Retiring Director is eligible to offer themselves for re-election. Each member of the NC abstains from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his own performance or re-nomination as Director.

Pursuant to the Company's Constitution, Mr Chan Kam Loon and Mr Jeffrey Tan Bock Chia will retire at the Company's forthcoming annual general meeting and will be eligible for re-election. Accordingly, the NC has recommended the aforesaid re-election of both the Directors and the Board has accepted the NC's recommendation. In recommending the re-election of Mr Chan Kam Loon and Mr Jeffrey Tan Bock Chia, the NC has considered the Directors' overall contributions and performance. Mr Chan Kam Loon, being the NC member had abstained from deliberation in respect of his own nomination and assesment. In addition, there is no relationships, including immediate family relationships, between Mr Chan Kam Loon and the other Directors, the Company, its related corporations, its substantial shareholders or officers, which may affect his independence. The Board considers Mr Chan Kam Loon, to be independent for the purpose of Catalist Rule 704 (7). The details of the Directors seeking for re-election as required under Catalist Rule 720(5) are set out on pages 19 to 20 of this Annual Report.

Provision 4.4 of the Code: Circumstances affecting Director's independence

As described under Principle 2 of this report, the Company has put in place a process to ensure the continuous monitoring of the independence of the Directors. Each independent Director is required annually to complete a checklist to confirm his independence. Further, the NC determines annually, and as and when circumstances require, whether a director is independent, taking into consideration the disclosures by the Directors of any relationships with the Company, its related corporations, its substantial shareholders or its officers and the checklist completed by each independent director. Having made its review, the NC is of the view that all independent directors have satisfied the criteria for independence.

Provision 4.5 of the Code: Multiple listed company directorships and other principal commitments

The NC ensures that the new directors are aware of their duties and obligations. For re-nomination and re-appointment of directors, the NC takes into consideration the competing time commitments faced by directors and their ability to devote sufficient time and attention to the Group. Each Director is required to declare changes in listed company directorships or other principal commitments during the year to enable the on-going monitoring of the commitment of the Directors to the Company. Aside from taking into account of the number of listed company directorships and other principal commitments of the directors, the NC also considers the results of the annual evaluation of each Director's effectiveness and the respective Director's conduct at the Board and Board Committees meetings to determine whether the Director is able to discharge his duties diligently.

In respect of FY2019, the NC and Board were of the view that each Director has discharged his duties diligently. As at the date of this report, none of the Directors hold more than 4 listed company directorships. Please refer to page 17 of the Annual Report for the listed company directorships and other principal commitments of the Directors.

The Board provides for appointment of alternate director only in exceptional cases such as when a director has a medical emergency. There is currently no alternate Director on the Board.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provision 5.1 and 5.2 of the Code: Assessment of effectiveness of the Board and Board Committees and assessing the contribution by individual directors

The Board's performance is linked to the overall performance of the Group. The Board ensures that the Company is in compliance with the applicable laws, and members of our Board are required to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board, the board committees and each individual Director.

The NC has established a review process and proposed objective performance criteria set out in assessment checklists which are approved by the Board. The NC assesses the overall effectiveness of the Board and its committees by having all members of the Board completing an Assessment Checklist, which takes into consideration factors such as its structure, conduct of meetings, risk management and internal controls, strategic leadership and relationship with the Management. The NC also assesses the Board's performance based on a set of quantitative criteria and financial performance indicators.

The NC assesses the individual Directors' performance by completing an Individual Director Assessment Checklist, which takes into consideration factors such as commitment of time for meetings, level of participation and contribution at such meetings and the technical knowledge of the Directors. The evaluation of individual Directors aims to assess whether each Director continues to contribute effectively and demonstrate commitment to the role, including commitment of time for Board and Board Committee meetings, and any other duties. The Chairman will be briefed on the results of the performance evaluation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of Directors, in consultation with the NC. Each member of the NC shall abstain from deliberating and voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

The NC, having reviewed the overall performance of the Board as a whole, its Board committees as well as the performance of each individual Director, is satisfied with their performance for the period under review. No external facilitator has been engaged to conduct the Board performance evaluation.

The Board and the NC have endeavoured to ensure that Directors appointed to the Board possess the background, experience, business knowledge, finance and management skills critical to the Group's business. They have also ensured that each Director, with his special contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provision 6.1 of the Code: RC to recommend remuneration framework and packages
Provision 6.2 of the Code: Composition of RC

The RC makes recommendations to the Board on the framework of remuneration and the specific remuneration packages for each Director.

The RC comprises Dr Tay Kin Bee (Chairman of RC), Mr Lee Bon Leong and Mr Chan Kam Loon. All members of the RC, including the Chairman, is independent. The RC holds at least one meeting in each financial year.

The written terms of reference of the RC have been approved and adopted, and they include the following:–

(a) reviewing and recommending to the Board a framework of remuneration for the Directors and key executive officers and determining specific remuneration packages of each Director. The RC shall cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, awards to be granted under the Company's performance share scheme, and benefits in kind;

(b) reviewing annually the remuneration, bonuses, pay increase and/or promotions of employees who are related to the Directors or substantial shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities;

(c) reviewing the Company's obligations arising in the event of termination of service contracts entered into between the Group and its Executive Directors or executive officers, as the case may be, to ensure that the service contracts contain fair and reasonable termination clauses which are not overly onerous to the Group;

(d) if necessary, seeking expert advice within and/or outside the Company on remuneration matters, ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants; and

(e) reviewing annually the remuneration package in order to maintain their attractiveness to retain and motivate the Directors and key executive officers and to align the interests of the Directors and key executive officers with the long-term interests of the Company.

Provision 6.3 of the Code: RC to consider and ensure all aspects of remuneration are fair

The RC considers all aspects of remuneration (including Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits in kind and termination payments) in the review of remuneration packages for the Directors and executive officers with an aim to be fair and to avoid rewarding poor performance, before making any recommendation to the Board.

The Independent Directors receive directors' fees in accordance with their contributions, taking into account factors such as effort and time spent and their responsibilities. The directors' fees are recommended by the RC and endorsed by the Board for approval by shareholders of the Company at the annual general meeting. Except as disclosed in this Annual Report, the Independent Directors did not receive any other remuneration from the Company.

The Executive Directors have each entered into a service agreement with the Company ("**Service Agreements**"), under which the terms of their employment are stipulated, including a monthly base salary, annual wage supplement and benefits commensurate with the position. The Executive Directors also participate in a profit-sharing scheme that is pegged to the Group's profitability. The Executive Directors do not receive directors' fees and there are no post retirement and severance benefits except the common practice of giving notice or salary in lieu of notice in the event of termination. The Service Agreements are valid for 3 years and automatically renewed annually.

Provision 6.4 of the Code: Expert advice on remuneration

The members of the RC are familiar with executive compensation matters as they have prior experience in managing businesses and/or are holding other directorships. The RC has access to expert advice regarding executive compensation matters, if required. The Board did not engage any external remuneration consultant to advise on remuneration matters for FY 2019.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provision 7.1 and 7.3 of the Code: Remuneration of Executive Directors and key management personnel are appropriately structured to link rewards to performance

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors and key management personnel. The remuneration package is designed to allow the Company to better align the interests of the Executive Directors and key management personnel with those of shareholders and link rewards to corporate and individual performance. The Company also ensures that the remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

Remuneration for the Executive Directors comprises a basic salary component and a variable component that is pegged to the performance of the Group as a whole. [Having reviewed the variable component in the remuneration packages of the Executive Directors and key management personnel, the RC is of the view that it is not necessary to institute contractual provisions to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Company believes that there are alternative legal avenues to these specific contractual provisions that will enable the Company to recover financial losses arising from such exceptional events from the Executive Directors and key management personnel.

The Company does not offer any employee share scheme. The RC may consider other forms of long-term incentive schemes for the Management when necessary.

Provision 7.2 of the Code: Remuneration of Non-Executive Directors dependent on contribution, effort, time spent and responsibilties

The Independent Directors receive directors' fees for their effort and time spent, responsibilities and contribution to the Board, subject to shareholders' approval at annual general meetings. The Independent Directors are not over-compensated to the extent that their independence may be compromised.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1 and 8.3 of the Code: Remuneration disclosures of Directors and key management personnel; Details of employee share schemes

The Board is of the view that full disclosure of the specific remuneration of each individual director and key management personnel is not in the best interests of the Company, taking into account the sensitive nature of the subject, the competitive business environment the Group operates in and the potential negative impact such disclosure will have on the Group.

Remuneration of the Executive Directors are stipulated in their respective service agreements with the Company ("**Service Agreements**"). Under the provisions of the Service Agreements, the Executive Directors shall be paid a monthly base salary and annual wage supplement and be provided with benefits commensurate with the position. The Executive Directors participate in a profit-sharing scheme that is pegged to the Group's profitability. The Executive Directors do not receive directors' fees and there are no post retirement and severance benefits except the common practice of giving notice or salary in lieu of notice in the event of termination.

The level and mix of remuneration paid or payable to the Executive Directors for FY 2019 are set out as follows:

		% Breakdown of Remuneration		
Name of Director	Remuneration band	Base salary	Bonus/Profit Sharing	Benefits in kind
Mr Sidney Chew Choon Tee	S$500,000 – S$750,000	81%	10%	9%
Mr Jeffrey Tan Bock Chia	S$500,000 – S$750,000	81%	9%	10%

Independent Directors are paid only directors' fees, subject to approval at the annual general meeting. The fees paid to Independent Directors comprise a basic fee, a fee for chairing a committee and a fee for being a member of the committee. The fees paid to the Independent Directors for FY 2019 are set out as follows :-

Name of Independent Director	Directors' fees
Mr Lee Bon Leong	Less than S$50,000
Mr Chan Kam Loon	S$50,000-S$100,000
Dr Tay Kin Bee	Less than S$50,000

Mr Toshiyuki Yokogawa and Mr Tatsuyuki Sakoda, the Non-Executive Directors of the Company, did not receive any remuneration for the financial period 1 January 2019 to 28 February 2019 and 1 March 2019 to 31 December 2019 respectively.

The remuneration of top 5 executives of the Group (who are not also directors) for FY 2019 is set out below:-

Remuneration band	No of Executives
Below S$250,000	1
S$250,000 – S$500,000	4

The Company does not have any employee share scheme.

Provision 8.2 of the Code: Remuneration disclosures of related employees

Save for the Executive Directors, there are no employees who were substantial shareholders of the Company in FY2019.
The remuneration of an employee who is the spouse of Managing Director, Mr Sidney Chew Choon Tee, for FY 2019 is set out as below:-

		% Breakdown of Remuneration		
Name of employee	Remuneration band	Base salary	Bonus	Benefits in kind
Ms Liau Bin Bin	S$250,000 – S$500,000	68%	28%	4%

Save for Ms Liau Bin Bin, there were no other employees who were the immediate family members of a Director, the Managing Director or a substantial shareholder of the Company, whose remuneration exceeded S$100,000 in FY2019.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provision 9.1 of the Code: Board determines the nature and extent of risks

The Board and Management acknowledge that it is responsible for the overall risk management and internal control framework, but recognise that no cost effective control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss, human error, fraud and lapse in judgement.

The Group has implemented a system of internal controls designed to provide reasonable but not absolute assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed. The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The Company's risk management framework and internal control system covers financial, operational, compliance and information technology risks and internal controls. Although the Board does not have a separate risk management committee, the Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems, and reviews the adequacy and effectiveness of such systems at least annually.

The internal auditors, Baker Tilly Consultancy (Singapore) Pte Ltd has conducted annual reviews of the effectiveness of the Group's key internal controls, including financial, operational, compliance and information technology controls, and risk management. Any material non-compliance or lapses in internal controls, together with recommendations for improvement, are reported to the AC and the Board. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored. No material internal control weaknesses had been raised by the internal auditors in the course of their audits for FY2019.

Provision 9.2 of the Code: Assurance from CEO, CFO and other key management personnel

The Board has received assurance from (a) the Managing Director and the Chief Financial Officer that the financial records have been properly maintained and the financial statements for the financial year ended 31 December 2019 give a true and fair view of the Company's operations and finances; and (b) the Managing Director and key management personnel regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

Based on the assurance from the Managing Director, the Chief Financial Officer and key management personnel referred to in the preceding paragraph, the various internal controls put in place by the Group, the work performed and reports submitted by the external and internal auditors of the Group and the reviews carried out by the Board and the AC, the Board, with the concurrence of the AC, is satisfied with the adequacy and effectiveness of the Group's the risk management and internal control systems (including financial, operational, compliance and information technology controls and risk management systems) as at 31 December 2019.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

Provision 10.1 of the Code: Duties of AC
Provision 10.2 of the Code: Composition of AC
Provision 10.3 of the Code: AC does not comprise former partners or directors of the Company's auditing firm

The AC comprises Mr Chan Kam Loon (Chairman of AC), Dr Tay Kin Bee and Mr Lee Bon Leong. All members of the AC, including the Chairman of the AC, is independent. No former partner or director of the Company's existing audit firm or auditing corporation is a member of the AC. The members of the AC have sufficient accounting or financial management expertise, as interpreted by the Board in its business judgment, to discharge the AC's functions. The AC holds at least two meetings in each financial year.

The written terms of reference of the AC have been approved and adopted, and they include the following:–

(a) reviewing the audit plans and scope of work of the external auditors and the internal auditors, including the results of the external and internal auditors' review and evaluation of the Group's system of internal controls, the management letters on the internal controls and the Management's response, and monitoring the implementation of the internal control recommendations made by the external and internal auditors;

(b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems, prior to the incorporation of such results in the Company's annual report;

(c) reviewing the interim financial results and annual consolidated financial statements and the external auditors' report on the annual consolidated financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies and practices, significant financial reporting issues and judgements, compliance with Singapore financial reporting standards as well as compliance with the Catalist Rules and other statutory or regulatory requirements, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of Management to ensure the integrity of the financial statements of the Group and any announcements relating to the Company's financial performance, where necessary, before submission to the Board for approval;

(d) reviewing and discussing with the external and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;

(e) reviewing and ensuring the co-ordination between internal auditors, external auditors and the Management, including the assistance given by the Management to the auditors;

(f) reviewing the audit plan of the external auditor and the result of the external auditor's review and evaluation of the Group's system of internal accounting controls that are relevant to the statutory audit;

(g) making recommendations to the Board on the proposals to the shareholders with regard to the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(h) reviewing the audit plan of the internal auditor, including the results of the internal auditor's review and evaluation of the Group's system of internal controls;

(i) reviewing and ratifying where appropriate any interested person transactions;

(j) reviewing potential conflicts of interests (if any);

(k) reviewing the policy and arrangements by which employees of the Group and any other persons may, in confidence, report to the Chairman of the AC, concerns about possible improprieties in financial reporting or other matters and ensuring that there are arrangements in place for such concerns to be safely raised and independently investigated, and for appropriate follow-up action to be taken;

(l) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;

(m) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls, and risk management systems;

(n) reviewing the scope and results of the external audit and its cost effectiveness and the independence and objectivity of the external auditor, and where the external auditor also provides a substantial volume of non- audit services to the Company, keeping the nature and extent of such services under review, seeking to maintain objectivity;

(o) reviewing the assurance from the Managing Director and the Chief Financial Officer on the financial records and financial statements; and

(p) undertaking such other reviews and projects as may be requested by the Board and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC.

The AC has full authority to investigate any matter within its terms of reference, full access to and cooperation from the Management, and full discretion to invite any Director, executive officer or other employee of the Group to attend its meetings, and is given reasonable resources to enable it to discharge its functions properly and effectively.

The Group has implemented a whistle-blowing policy which aims to provide an avenue for employees and external parties to raise concerns about misconduct or improprieties in the Group and at the same time assure them that they will be protected from victimization for whistle-blowing in good faith. Cases that are significant will be reviewed by the AC for adequacy or investigation actions and resolutions. Details of the whistle-blowing policy are disseminated to the employees of the Group, and is available on the Company's website. All concerns about possible improprieties can be communicated directly to the AC.

As at the date of this Annual Report, there are no reports received through the whistle-blowing channel.

The external auditors update the AC on any changes in accounting standards impacting the financial statements of the Group before an audit commences. Significant matters that were discussed with the Management and the external auditors have been included as key audit matters in the Auditors' Report for FY 2019 on pages 97 to 99 of this Annual Report.

Significant matters	How does the Audit Committee address the matter
Impairment of trade receivables	The Audit Committee had reviewed management's approach and judgement in assessing collectibility of outstanding receivables, which includes a review of customers' credit worthiness, historical observed default rate, payment history and correspondences with customers. The Audit Committee was satisfied that the approach was appropriate and provision was adequate. The external auditor has included this item as a key audit matter in the audit report for FY 2019. Please refer to pages 97 to 98 of this Annual Report.
Impairment of Inventories	The Audit Committee had considered the methodology and management's technical judgement in assessing inventory obsolescence, which includes a review of the ageing of inventory. The Audit Committee was satisfied that management's methodology was reasonable and carrying value of inventory was appropriate. The external auditor has included this item as a key audit matter in the audit report for FY 2019. Please refer to page 98 of this Annual Report.
Impairment of subsidiaries	The Audit Committee had considered the methodology, estimates and assumptions used in assessing the impairment of subsidiaries, which includes a review of long-term business prospects, cash flow forecasts and discount rates used. The Audit Committee was satisfied that management's methodology was reasonable and the impairment was adequate. The external auditor has included this item as a key audit matter in the audit report for FY 2019. Please refer to page 99 of this Annual Report.

The AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees paid to them. The AC received an audit report from the external auditors setting out the non-audit services provided and the fees charged for FY 2019. A breakdown of the audit and non-audit fees paid to the Company's auditors is disclosed on page 169 of this Annual Report.

Having undertaken a review of the non-audit services provided during FY 2019, the AC is of the view that the objectivity and independence of the external auditors are not in any way impaired by reason of their provision non-audit services to the Group.

The AC reviews the independence of the external auditor annually. In the selection of suitable auditing firms, the AC takes into consideration several factors such as the adequacy of the resources, experience of the accounting auditing firm, the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited, and the number and experience of supervisory and professional staff assigned to the audit and its ability to provide audit service to our foreign subsidiaries and associated companies. The selected auditing firm based in Singapore is engaged as auditors for the Company as well as our Singapore-incorporated subsidiaries.

A different auditing firm is engaged as auditors for its associated company for FY 2019. The AC has considered the appointment of different auditing firms for its significant associated company and is satisfied that such appointment would not compromise the standard and effectiveness of the audit of these subsidiaries. The Company is thus in compliance with Rule 712 and 715 set out in Catalist Rules.

Provision 10.4 of the Code: Primary reporting line of the internal audit function is to AC; Internal audit function has unfettered access to Company's documents, records, properties and personnel

The Company outsources the internal audit function to an external professional firm to perform the review and test of controls of the Group's processes.

The AC approves the appointment of the internal auditors. The internal auditors, Baker Tilly Consultancy (Singapore) Pte Ltd, report directly to the Chairman of the AC. The internal auditor has full access to the Company's documents, records, properties and personnel. The AC is satisfied that the internal audit firm is staffed by suitably qualified and experienced persons.

The internal auditors plan its internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The AC will review the activities of the internal auditors, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified. The internal auditors carry out their work in accordance with International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC has reviewed and is satisfied with the independence, adequacy and effectiveness of the Company's internal audit function.

Provision 10.5 of the Code: AC meets with the auditors without the presence of Management annually

The AC endeavors to meet at least once a year with the external and internal auditors without the presence of the Management so that any concern and/or issue can be raised directly and privately.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1 of the Code: Company provides shareholders with the opportunity to participate effectively and vote at general meetings

The Company supports the Code's principle to encourage communication with and participation by shareholders. Shareholders are informed of general meetings through notices published in the newspapers, through reports or circulars sent to all shareholders and via SGXNet. Shareholders are encouraged to attend the AGM to ensure a greater level of shareholder participation.

Provision 11.2 of the Code: Separate resolution on each substantially separate issue

All resolutions are put to vote by poll and shareholders are entitled to vote in accordance with established voting rules and procedures. An announcement of the detailed results is made after the conclusion of the AGM. The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principles as regards "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will provide reasons and material implications.

Provision 11.3 of the Code: All Directors attend general meetings

All directors attend the general meetings of shareholders, and the external auditor will also be present to assist in addressing queries from shareholders relating to the conduct of audit and the preparation and content of the auditor's report.

Provision 11.4 of the Code: Company's Constitution allow for absentia voting of shareholders

The Constitution allows a shareholder of the Company to appoint up to two proxies to attend the AGM and vote in place of the shareholder, unless the shareholder is a relevant intermediary (as defined in Section 181 of the Companies Act). A relevant intermediary is entitled to appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

The Company's Constitution allows a shareholder who is unable to vote in person at general meeting to vote in absentia, such as via mail, electronic mail or facsimile.

Provision 11.5 of the Code: Minutes of general meeting are published on the Company's corporate website

Minutes of general meetings, including relevant substantial comments or queries from shareholders relating to the agenda of the meeting and responses from the Board or the Management, are available to shareholders at the Company's website.

Provision 11.6 of the Code: Dividend policy

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate. The Company paid an interim dividend in FY2019 and are seeking approval from shareholders for the payment of a final dividend for FY2019 at the annual general meeting.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provision 12.1 of the Code: Company provides avenues for communication between the Board and shareholders

The Company strives for timeliness and consistency in its disclosures to shareholders. It is the Company's policy to keep all shareholders informed of developments or changes that will have a material impact on the Company's share price, through announcements via SGXNet. Such announcements are communicated on an immediate basis, or as soon as possible where immediate disclosure is not practicable. Shareholders are provided with an update on the Group's performance, position and prospects through the Company's annual report.

The Company's half year and full year results announcements, corporate presentations, announcements and press releases are issued via SGXNet. Shareholders have access to information on the Group via the Company's website. The Company discloses all material information on a timely basis to all shareholders.

Shareholders are given the opportunity to pose questions to the Board or the Management at the general meetings. The members of the AC, NC and RC will be present at the AGM to answer questions relating to matters overseen by the respective committees.

Provision 12.2 and 12.3 of the Code: Company has in place an investor relations policy and the policy sets out mechanism of communication between the shareholders and the Company

To enhance and encourage communication with shareholders and investors, the Company provides the contact information of its investor relations consultants in its press releases. Shareholders and investors can send their enquiries through email or telephone.

An investor relations strategy is in place which sets the policies to regularly, fairly and effectively communicate with our shareholders.

The Company maintains regular dialogue with shareholders through online Q&A, analyst briefings and at the general meetings.

Analyst briefings are conducted for members of the investment community and media after each results announcement. Key management personnel including the Managing Director, Executive Director and Chief Financial Officer are present in these briefings. An online Q&A session is also conducted after each result announcement for shareholders to raise their queries with regard to the results. The results announcement, the analyst briefings presentation and the online Q&A are all published on SGXNET and are also made available on the Company's website, www.megachem.com and investors' relations website, www.shareinvestor.com.

Please refer to Investor Relations section of this Annual Report.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provision 13.1 and 13.2 of the Code: Engagement with material stakeholder groups
Provision 13.3 of the Code: Corporate website to engage stakeholders

The Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include employees, contractors and suppliers, government and regulators, community, and shareholders and investors. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

Stakeholders who wish to know more about the Group such as our business, industry, performance or sustainability practices can visit our website at www.megachem.com.

DEALING IN SECURITIES

In compliance with the Catalist Rules on dealings in securities, Directors and employees of the Company are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Company shall not deal in and prohibits dealings in its shares by its Directors, officers and employees during the period commencing one month before the announcement of the Company's half-year and full-year financial results, and ending on the date of the announcement of the financial results.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC, and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The aggregate value of interested person transactions entered during FY 2019 were as follows:-

Name of interested person	Aggregate value of all interested person transactions during the financial year ended 31 December 2019 under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the financial year ended 31 December 2019 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Transportation services rendered by Ipem Automation Sdn. Bhd, a Company owned by associates of Mr Chew Choon Tee, a director of Megachem Group.	Nil (Note 1)	Nil (Note 1)
Sales of products to Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations.	Nil (Note 2)	Nil (Note 2)
Purchase of products from Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations.	Nil (Note 3)	(Note 3)
Purchase of products from SPCI Pte Ltd, a company of which Dr Tay Kin Bee is also a director.	(Note 4)	Nil (Note 4)

Note 1 : The Group did not engage the services of Ipem Automation Sdn Bhd during the financial year ended 31 December 2019. There was no prior shareholders' mandate obtained for these interested person transactions.

Note 2 : The Group had no sales to Chori Co., Ltd and its related corporations. Shareholders' mandate was obtained for these interested person transactions.

Note 3 : The Group entered into purchase transactions amounting to S$55,282 and each transaction was below S$100,000 which fell outside the scope of Rule 920. Shareholders' mandate was obtained for these interested person transactions.

Note 4 : The Group entered into purchase transactions amounting to S$79,443 and each transaction was below S$100,000 which fell outside the scope of Rule 920. There was no prior shareholders' mandate obtained for these interested person transactions.

MATERIAL CONTRACTS

Save for the Service Agreements between the Executive Directors and the Company and transactions as disclosed in the "**Interested Person Transactions**" section above, there were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the Managing Director, any director, or controlling shareholder.

NON-SPONSOR FEES

$6,000 non-sponsor services fees was paid to SAC Advisors Private Limited, a firm related to Sponsor, SAC Capital Private Limited in FY2019.

INVESTOR RELATIONS

Megachem views Investor Relations ("IR") as a strategic management responsibility that integrates corporate governance, compliance and communication with the aim to preserve our shareholders' assets and enhance shareholders' values.

We place great emphasis on effective communication with our shareholders. In this aspect, we endeavour to provide timely and adequate information to shareholders and effective channels for shareholders communication.

The following sections outline Megachem's IR objectives, practices, activities and tools employed to engage and communicate with the investing community.

- Adopts a focused internal IR structure which is supported by appointing external IR advisors, Citigate Dewe Rogerson;
- Deploys a dedicated IR website (www.shareinvestor.com) which is regularly updated;
- Conducts half-yearly results briefings and online Q&A session;
  - Senior management including our Managing Director, Executive Director and Chief Financial Officer are present in these briefings.
  - Members of the financial community and media are invited to attend these briefings.
  - Supported by webcast made available on the Company's website www.megachem.com and the IR website.
- Provides results announcements that are timely with emphasis on responsible financial reporting, business updates and prospects;
- Gives advance notice of the date of announcement of our results;

- Provides business updates where necessary to allow shareholders and investors to understand any significant changes in market trend and its impact on our business;
- Provides detailed accounts of the financial results and operating strategy in our annual report
  - Provides investor relations strategy that indicates internal and external IR contacts as well as IR websites;

In order to provide expert independent views on the Company's performance, SAC Capital Private LImited provides stock analysis reports of each of our results announcement. These reports are posted on the Company's website.

The results announcements, the analyst briefings presentation and the on-line Q&A are all published on SGXNET and are also made available on the Company's and IR websites. Investors can also view a webcast recording of the analyst briefing at the Company's and IR websites.

We encourage greater shareholder participation at our general meetings by giving them opportunity to air their views and to post questions regarding the company to directors and management.

IR Contact

Company
Francis Yau Thiam Hwa
Chief Financial Officer
Megachem Limited
Tel: 6933 9999
Email: fsyau@sg.megachem.com

External Consultant
Dolores Phua
Citigate Dewe Rogerson
Tel: 6534 5122

Email: dolores.phua@citigatedewerogerson.com

For more information, please visit www.megachem.com

INVESTOR RELATIONS

ACCOLADES

As testimony to our high level of transparency and corporate governance, we have been accorded the following:

2019

Ranked 93rd in the 2019 Singapore Governance and Transparency Index (SGTI)

2018

Singapore Corporate Awards : **Best Managed Board (Bronze)** in the "less than $300 million market capitalisation" category

Ranked 78th in the 2018 Singapore Governance and Transparency Index (SGTI)

2017

Singapore Corporate Awards : **Best Annual Report Award (Gold)** in the "less than $300 million market capitalisation" category

Ranked 56th in the BT Governance and Transparency Index

2016

Singapore Corporate Awards : **Best Annual Report Award (Silver) and Best Investor Relations Award (Gold)** in the "less than $300 million market capitalisation" category

SIAS Investors' Choice Awards : **Most Transparent Company** (Runner up) (Catalist category)

Ranked 37th in the BT Governance and Transparency Index

2015

Singapore Corporate Awards : **Best Managed Board (Gold), Best Chief Financial Officer, Best Annual Report Award (Silver) and Best Investor Relations Award (Bronze)** in the "less than $300 million market capitalisation" category

SIAS Investors' Choice Awards : **Most Transparent Company** (Runner up) (Catalist category)

Ranked 60th in the BT Governance and Transparency Index

IR Magazine Awards : **Best Investor Relations** by an SGX Catalist company

2014

Singapore Corporate Awards : **Best Investor Relations Award (Bronze) and Best Annual Report Award (Bronze)** in the "less than $300 million market capitalisation" category
Ranked 64th in the BT Governance and Transparency Index

2013

SIAS Investors' Choice Awards : **Most Transparent Company** (Catalist category)

Singapore Corporate Awards : **Best Annual Report(Silver)** (category for companies with less than $300 million market capitalisation)

IR Magazine Awards : **Best Investor Relations** by an SGX Catalist company

Ranked 49th in the BT Governance and Transparency Index

2012

Singapore Corporate Awards : **Best Annual Report(Bronze)** (category for companies with less than $300 million market capitalisation)

Ranked 115th in the BT Governance and Transparency Index

2011

Singapore Corporate Awards : **Best Annual Report(Bronze)** (category for companies with less than $300 million market capitalisation)

Ranked 62nd in the BT Governance and Transparency Index

2010

Ranked 235th in the BT Governance and Transparency Index

2009

Ranked 196th in the BT Governance and Transparency Index

2007

Singapore Corporate Awards : **Best Annual Report(Bronze)** (Sesdaq category)

2006

Singapore Corporate Awards : **Best Annual Report(Silver)** (Sesdaq category)

RISK MANAGEMENT

Recognizing the importance of risk management in providing sustainability to our business and in preserving our shareholders' value, Megachem is committed to incorporate effective risk management practices into our organizational processes to mitigate and manage each of these risks.

Megachem has identified 4 main risk components within its risk management framework.

A. STRATEGIC RISK

The Executive Committee and Board members collectively formulates the strategy and charts the directions for the Group. The progress of implementation of the strategy is monitored and reviewed annually. In the process of strategy formulation and review, we evaluate the external environmental factors such as the risk profile of the industry, competitive forces within the industry, opportunities and threats, as well as the internal factors such as our key competitive strengths and weaknesses, our market position and growth strategy.

The Company views the current strategy of building our growth around our distribution and contract manufacturing activities as the 2 pillars of growth and the business model of diversification in terms of markets, customers, products and suppliers as being robust and sustainable.

B. FINANCIAL RISK

Megachem's activities expose it to a variety of risks and unpredictability of the financial markets such as changes in foreign currency exchange rates and interest rates. The following sections outline the practices with respect to our financial risk management.

Foreign Currency Risk

We operate internationally and is exposed to foreign currency risks arising from various currency exposures primarily with respect to United States Dollar, Euro Dollar, Sterling Pound, Japanese Yen and Malaysian Ringgit.

Forward currency contracts are entered into to hedge certain of its exposures to foreign currency risk. General guidelines are set with regard to the level of hedging and the type of hedging instruments that Megachem undertakes. Authority matrix is also in place that sets the authorized personnel and his/her authorization limits for hedging.

The Executive Committee monitors the foreign currency exposure on a monthly basis through monthly executive committee reports.

Interest Rate Risk

Interest rate risk arises mainly from our borrowings which are mainly at floating interest rates. Megachem manages its interest rate risk by keeping borrowings to the minimum required to sustain our operations.

Credit Risk

We sell our products globally which thus increases the risk of payment default by our customers. We manage our credit risk by diversifying credit risk exposure and dealing with high credit quality counterparties. As such, Megachem has no significant concentration of credit risk. Policies are in place to ensure that the sale of products and services are made to customers with an appropriate credit history and obtaining sufficient security and/or credit insurance where appropriate to mitigate credit risk.

Liquidity Risk

We manage liquidity risk by maintaining sufficient cash balances and availability of funding through an adequate amount of credit facilities at all times.

Capital Risk

Our objectives when managing capital are to safeguard Megachem's ability to continue its business operations as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value.

In order to maintain or achieve an optimal capital structure, we seek to strike a balance between debt and equity and capping our financial gearing at a comfortable level.

C. OPERATIONAL RISK

IT Security

Megachem adopts the following 3 key principles in its IT security management:

Confidentiality – information should not be disclosed to unauthorized individuals or systems.

Integrity – important data should not be modified by unauthorized individuals or systems.

Availability – information should be readily available when needed even at times of any disruption.

With this in mind, we have in place the following measures :

- physical security is enhanced by installing security cameras at our premises which can be monitored via IP addresses;
- content filtering has been enabled to prevent viewing inappropriate web sites or content and also to prevent access by known malware hosts;
- disaster recovery procedures are implemented such that in the event of any system breakdown, our operation can continue with little disruption. Key applications can be run at third party disaster recovery sites located away from our premises. Overseas operations will also be able to access the disaster recovery sites via virtual private network access;
- databases are backed up daily and kept in fire rated safe at disaster recovery sites;
- policies are documented and our people are constantly oriented to adhere to the approved policies and procedures; and
- internal and external IT security audits are conducted annually.

Process Execution

Failure in operational and business processes can jeopardize our Company's competitiveness. In order to minimize process risk, we seek to standardize our processes throughout its entire organization by adopting international Quality Management standards within the framework of ISO9001. Guided by this Quality Management System, we are able to consistently deliver quality in our products and services with an impeccable level of service.

Business Continuity

For the same reason as explained above, Megachem has implemented a Business Continuity Management ("BCM") program which aims to ensure continuity of our key functions and processes, in part and/ or in whole in the event of any unforeseen disruptions, in order to fulfill our obligations and to protect our reputation and branding.

The BCM program involves the integration of management, people, system and facilities. The framework covers :

- conducting context analysis and understanding needs and expectation of interested parties such as our customers, regulators, government agencies etc;
- conducting risk assessment and business impact analysis periodically;
- evaluating recovery strategies to be implemented; and
- documenting and communicating detailed plans and measures to recover, restore and return business processes to pre-incident level to all interested parties.

Megachem is proud to achieve ISO22301 : 2012 certification for our BCM program.

D. LEGAL RISK

Business Ethics

Compliance with rules and regulations is set as a fundamental principle with which we conduct our business. Through staff induction program and continuous education, this principle is being reinforced to ensure that we continue to comply with all relevant rules and regulations.

Anti-graft laws are increasingly being enacted globally such as the US Foreign Corrupt Practices Act and UK Anti-Bribery Act. Recognizing the adverse impact of non-compliance on our Company's reputation and the potential loss of business, Megachem puts integrity at the core of our corporate value system. The business conducts of all employees of the Group are guided by a Business Ethics Guide which provides guidance on areas such as anti-bribery, corruption, conflict of interest, Intellectual Property protection, insider trading and fraud. These Codes of Ethics are strictly binding for all employees in the respective countries in which we operate. Trainings are provided during staff induction program and refresher trainings are also provided. This Code demonstrates our commitment to integrity in the workplace and in the way we conduct our business.

Industry Specific Regulations

Various government agencies also imposed industry-specific regulations. In this area we collaborate closely with these agencies on educational programs and exercises to keep ourselves up to speed with changes in their rules and regulations. (For more information, please refer to Sustainability : Health, Safety and Environment section.)

Stock Exchange Listing Rules

Guided by our Catalist Sponsor, listing rules are constantly being observed and followed. All announcements are perused by our Catalist Sponsor before they are released. Our Catalist Sponsor is also frequently being engaged in board discussion on matters relating to listing rules compliance.

SUSTAINABILITY REPORT

SUSTAINABILITY REPORT

BOARD STATEMENT

Our world is confronted with unprecedented challenges such as climate change, scarcity of natural resources, poverty, human health and safety issues. Fuelled by these challenges, Sustainability has become a pressing issue.

At Megachem, we recognise this and view Sustainability as a shared responsibility towards improving not only our business but also our society and the quality of lives for everyone.

As a company, we do not exist in a vacuum. We are part of the economic, environmental and social ecosystem. We will therefore work closely with all our stakeholders to contribute towards a global effort to meet these challenges and integrate sustainability into our business models.

Since we embarked on this Sustainability journey a few years back, we have made progress across a spectrum of sustainable aspects such as:

Environment/Health/Safety

- In recognition of our efforts in meeting international environment, health and safety standards, the Singapore Chemical Industry Council accorded us, at the Responsible Care Awards 2019, Gold award in the category of Community Awareness and Emergency Response as well as Achievement awards in Employee Health and Safety and Distribution.
- In a Sustainability assessment in 2018 conducted by independent firm, EcoVadis, Megachem attained Gold status and was ranked among the Top 5% of companies assessed by them.
- We have adopted the Global Product Strategy (GPS) from International Council of Chemical Associations on the evaluation of Chemical Risk Assessment since 2018 and established a Product Safety Summary as well as Product Safe Handling Guide on high-risk products.

Governance

- In the Singapore Governance and Transparency Index (SGTI), we have consistently been ranked highly among the public-listed companies in Singapore.

Social

- We continue to provide equal opportunities to our employees by embracing diversity in terms of gender, age and nationality.

Looking ahead, we will be increasing our focus in the following areas:

- expanding our product portfolio with more sustainable products that has lesser environmental impact,
- working across our value chain to incorporate sustainability into our business strategy,
- creating greater awareness of sustainability issues and good sustainability practices in our daily operation,
- striving and working together with major stakeholders in the chemical industry in adopting higher standards of Sustainability practices.

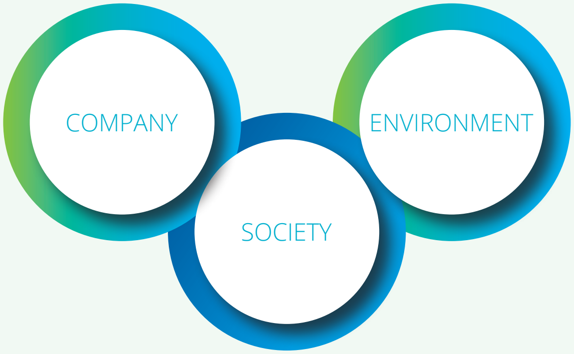
Together, we shall strive with passion to make a lasting, positive difference in people's lives and instill this value into our corporate culture.

Managing Director
Sidney Chew Choon Tee
On behalf of Megachem's Board of Directors

SUSTAINABILITY REPORT

ORGANISATIONAL PROFILE

Megachem Sustainability Vision

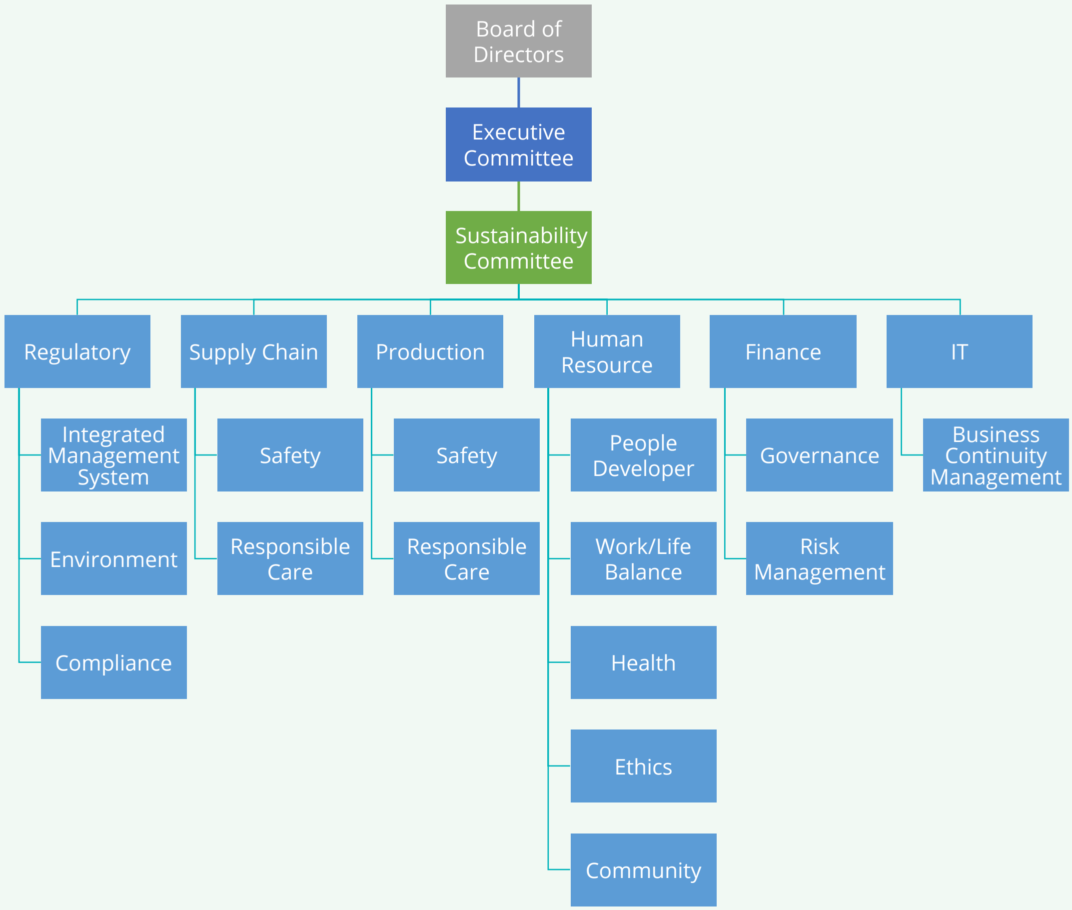


For Megachem, our Sustainability Vision is to align our economic success with environmental and social responsibility. We recognize that the environmental and social interaction with our community affect our long term organizational success and thus the need to manage not only corporate and financial performance but also the environmental and social impact of our business.

Guided by our Sustainability Vision, our objectives are to:

- achieve high standards of health and safety throughout our value chain;
- protect our environment;
- be a preferred employer by providing a working environment where people can feel a sense of belonging;
- adopt best business practices and comply with all applicable rules and regulations;
- manage our risk to safeguard our economic sustainability; and
- be a responsible member of society.

Sustainability Leaders



Steering our Sustainability journey are representatives from each functional team within the Group who collectively forms the Sustainability committee. This committee reports to the Executive Committee and is supported by various working groups.

The Sustainability committee meets regularly to review the progress of our Sustainability programs and where necessary, these are escalated to the Executive Committee.

SUSTAINABILITY REPORT

External Charters, Principles or Other Initiatives

Megachem is committed to conduct our business in a responsible and sustainable manner. We have therefore aligned our operations and business practices with industry/market accepted principles and standards such as:

- Responsible Care® - a global environmental, health and safety (EHS) performance initiative for the chemical industry,
- Integrated Management System (ISO9001, OHSAS18001, ISO14001) and ISO22301, a system that integrates all of an organization's policies, processes and procedures into one complete framework, enabling an organization to work as a single unit with unified objectives,
- EcoVadis Sustainability Assessment System – an assessment system used widely in the chemical industry and assesses companies in the areas of environment protection, labour practices, fair business practices and sustainable procurement,
- People Developer – a certification that recognizes organizations that invest in their people and have a comprehensive system to manage the development of their people.

Member of Industry Associations

We are a member of Singapore Chemicals Industry Council and collaborate with them to continuously improve EHS performance in the chemical industry.

MATERIALITY ASSESSMENT

Process for defining report boundaries and content

The assessment of our Material Aspects are conducted in accordance with guidelines and framework established by GRI.

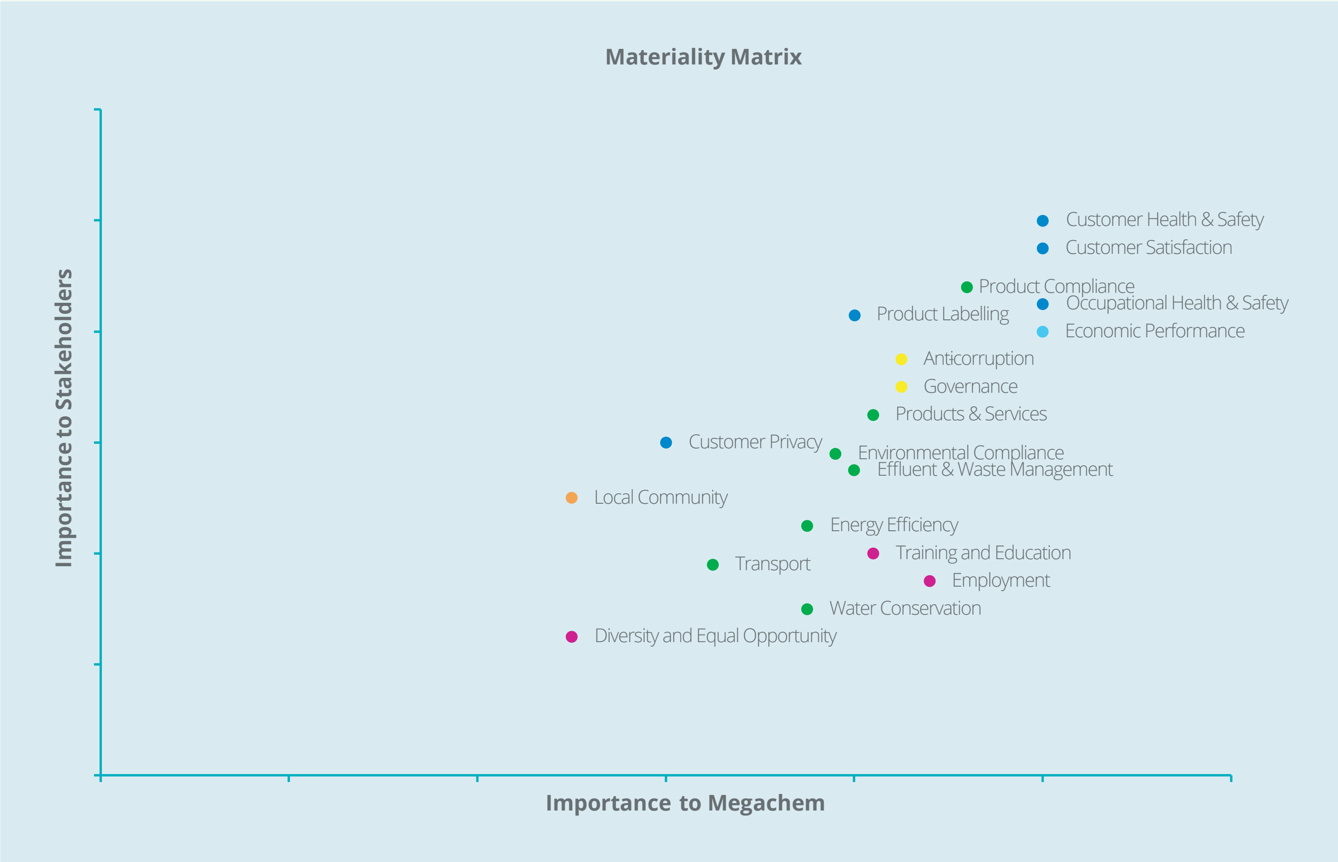
Our Sustainability Committee identified the material aspects based on feedback garnered from our stakeholders and internal reviews.

The material aspects are evaluated against 2 criteria: importance to stakeholders and importance to Megachem (in terms of the significance of its impact on economic, environment, social and governance).

These are then validated and approved by the Executive Committee headed by our Managing Director.

Our Material Aspects

MATERIAL ASPECTS	
Category : Governance	Governance
Category : Economic	Economic Performance
Category : Environment	Energy Efficiency Water Conservation Effluent & Waste Management Products & Services Environmental Compliance Transport
Category : Social	
sub-category : Labour Practices & decent work	Employment Occupational Health & Safety Training and Education Diversity and Equal Opportunity
sub-category : Society	Local Community Anti-corruption
sub-category : Product Responsibilities	Customer Health & Safety Product Labelling Product Compliance



Aspect Boundaries

Within the Organisation :

All entities and employees within the Group (excluding associated company) unless otherwise stated.

Outside the Organisation :

Customers, suppliers, investors/ shareholders, regulators and community.

SUSTAINABILITY REPORT

STAKEHOLDERS ENGAGEMENT

Our Sustainability approach takes into account the sustainability issues facing our stakeholders. Their feedback helps us develop our materiality matrix and define our future targets.

These stakeholders are identified as being critical to our ability to implement our strategies and achieve our objectives.

To achieve this, we maintain a culture of engagement and a channel of open communication with our stakeholders.

Stakeholders	Stakeholders Engagement	Stakeholders Feedback
Employees	Megachem views employee engagement as one of the crucial vehicle to drive business excellence and we do this through : • our Learning Needs Analysis which incorporates learning requirements on an organizational, functional and individual level and translates to a training blueprint for departmental and organizational-wide training, • Kaizen which focuses on continuous improvement and innovation through employees participation, • Employee Opinion Survey which is a communication channel for employees' feedback and opinion.	People Developer's report in previous renewal shows positive results especially in learning, development and innovative culture.
Customers	At the heart of our strategy is our customer-centric approach to conducting our business. Essential to this customer-centric approach is customer engagement. We engage with our customers : • through collaboration and regular visits, • customers' satisfaction survey where customers' feedback on Megachem's performance, products and services are garnered.	In the Customer Satisfaction Survey done in 2019, we scored well in the categories of sales support, responsiveness to customers, order processing and on-time delivery.
Suppliers	We build close relationship with our valued suppliers to ensure deeper market penetration and supply continuity. We create a channel for feedback to our suppliers on the quality of products supplied to us. We also assess and audit our top suppliers to ensure we provide quality products to our customers through our vendor evaluation program. Our suppliers also assess us to ensure we meet their sustainability standards.	Suppliers increasingly value the importance of sustainability in our working relationship with them. Megachem will consistently carry out our sustainability programs to meet requirements of suppliers. In a Sustainability assessment in 2018 conducted by independent firm, EcoVadis, Megachem attained Gold status and was ranked among the Top 5% of companies assessed by them.

Investors/ Shareholders	We place great emphasis on effective communication with our shareholders by providing the following channels of communication : • a dedicated IR website www.shareinvestor.com which is regularly updated and provides investors with email alerts of latest announcements • results briefings where analysts, investors and media are invited • online Q&A are conducted with shareholders and investors • results announcements, results presentation, press releases, online Q&A are made available at our website and at SGXnet • webcast of the results briefings are uploaded to our website • AGM where greater shareholders' participation are encouraged.	We have been well-recognised in areas such as shareholders communication, transparency and governance.
Regulators	We participate in seminars conducted by our stock market regulators to keep ourselves abreast of changes in rules and regulations. We conduct various exercises and events to educate our stakeholders the importance of safety. We seek to comply with regulatory bodies such as Singapore Civil Defence Force (SCDF), National Environment Agency (NEA), Singapore Police Force (SPF), Singapore Customs, Central Narcotics Bureau (CNB), Health Sciences Authority (HSA), Agri-Food & Veterinary Authority (AVA).	Company Emergency Response Team audit reveals good response to different emergency scenarios.
Community	We engage with our community by working with various social organisations as well as with various stakeholders such as supplier, customer and industry peers in increasing safety awareness.	We received positive response in our initiative.

SUSTAINABILITY REPORT

REPORT PROFILE

This report summarises our approach and practices towards Sustainability and represents our belief that Sustainability is an important aspect of our business.

Reporting Period

1 January 2019 – 31 December 2019

Date of first Sustainability report

Megachem has included Sustainability in its past 5 annual reports. This is Megachem's fourth report using GRI methology

Reporting Cycle

Annual based on Megachem's financial year.

Feedback

We welcome feedback from all stakeholders. Please send questions, comments, suggestions or feedback relating to this report to sustainability@sg.megachem.com.

Methodology

We have transitioned from GRI G4-Core to the revised GRI Standards-Core Option reporting guidelines since 2018.

We have not sought external assurance for this report.

GOVERNANCE

Corporate Governance

Objective

To ensure that our business is sustainable, Megachem believes strongly in upholding the highest standards of corporate governance. We strive to ensure that the value of good governance is deeply embedded in our corporate culture and entrenched in our policies and processes.

Approach

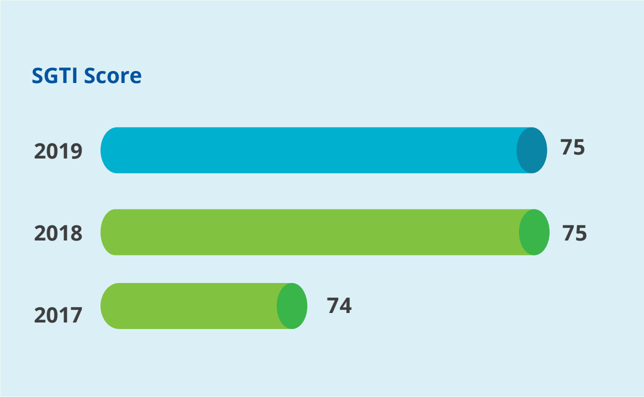
We adopt the Code of Corporate Governance established by the Monetary Authority of Singapore and Singapore Exchange Securities Trading Limited. Our Corporate Governance Code is reviewed and endorsed by our Board of Directors annually.

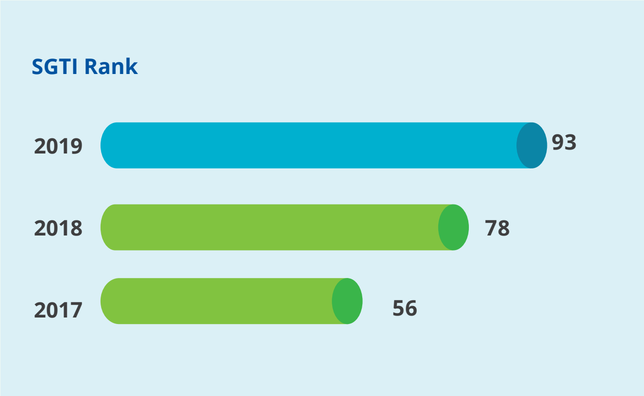
* More details about our corporate governance practices can be found in the Corporate Governance Report section of this annual report.

Performance Highlights

As a testimony to our high level of corporate governance, Megachem has been accorded many awards in the past. At the Singapore Corporate Awards 2018, Megachem Limited was awarded the Best Managed Board Award (Bronze) in the "less than $300 million market capitalisation" category.

In the Singapore Governance and Transparency Index (SGTI) which ranks listed companies on its governance and transparency practises, Megachem was ranked highly among all listed companies in Singapore, coming in 93th in 2019 and attained a score of 75.





Megachem will continue to uphold the principles of good governance which in turn enhances the sustainability of our business.

Targets & Plans

To improve or maintain the current SGTI score.

Ethics & Integrity

Objective

To uphold high standards of business ethics and integrity.

Approach

Megachem has established a Code of Business Ethics that sets the principles of business ethics for the Group and covers areas such as business conduct, protection of Company's assets, confidentiality of information, anti-bribery/corruption and conflicts of interest. All staff of the Group are expected to uphold high standards of integrity that are in compliance with the Code of Business Ethics as well as laws and regulations of the countries in which it operates. Awareness is created by conducting briefings for all staff. All staff are also required to sign acknowledgement of their awareness of our Corporate Code of Ethics and declare any existing or potential conflicts of interest to the management.

Risk Management

Objective

To ensure our business is sustainable and to preserve our shareholders' value.

Approach

Recognising the importance of risk management in providing sustainability to our business and in preserving our shareholders' value, Megachem is committed to incorporate effective risk management practices into our organizational processes to mitigate and manage each of these risks.

* More information on how we manage our risks can be found in the Risk Management section of this annual report.

Performance Highlights

In FY2019, a review of our enterprise risk management was conducted where significant risks, their impact and the mitigating factors were discussed and updated.

Targets & Plans

To conduct review of the risk assessment and mitigation factors in response to changes to internal and external factors.

ECONOMIC

Objective

To Create Long-term Sustainable Value for our shareholders.

Approach

Megachem adopts a 2-pronged approach:

- preserve shareholders' value by building resilience throughout its business operations;
- enhance shareholders' value through a robust strategy with a focus on delivering long term sustainable growth.

Performance Highlights

	2015	2016	2017	2018	2019
Net Profit after tax (S$'mil)	3.3	2.2	4.2	4.3	4.0
Shareholders' Equity (S$'mil)	42.2	42.0	44.6	47.2	49.6
Earnings per share (cents)	2.22	1.53	3.18	3.06	2.88
Net Dividend/share (cents)	1.0	1.2	1.2	1.5	1.5
Dividend Yield %	2.8%	3.0%	2.8%	4.1%	4.8%
Share Price Appreciation (%)	0.0%	22.2%	-6.8%	-22.0%	-6.3%
Total Shareholders Return (%)	2.8%	25.2%	-4.0%	-17.9%	-1.4%

ENVIRONMENT

Objective

We are committed to environmental protection and conservation of resources.

Approach

Our efforts in this area includes reducing paper, electricity and water consumption, reducing waste water generation, paper recycling and adopting proper chemical waste treatment methods.

Energy

Most of our office lighting systems uses energy saving features to reduce electricity consumption. Through regular preventive maintenance, we make our manufacturing facility run more efficiently which will in turn minimize energy consumption.

Water, Effluent & Waste

Megachem implemented LEAN methodology, a systematic approach to reduce or eliminate activities that don't add value to the process. Arising from this exercise, we managed to reduce the quantity of waste water generation. By standardizing washing procedure for different types of products based on its chemical properties, developing training programs for operator on washing process and implementing water recycling program, we managed to reduce waste water by about 40% in 2018. In 2019, this has been maintained at relatively the same level.

We ensure that chemical wastes are treated responsibly by engaging licensed industrial waste treatment companies.

Product and sales information such as product and material safety data sheets are maintained in our system and transmitted to our customers electronically thus reducing usage of paper. Sales invoices are also increasingly being transmitted electronically.

Products and Recycling of packaging materials

Megachem practices 'reduce, reuse and recycle' of packaging material whenever we can. Packaging material such as wooden pallet or plastic pallet are reused in the factory. We also collaborate with customers to reuse packaging materials whenever possible.

In 2019, Megachem recovered a total of 3,848 kg paper and carton boxes (2018: 4,098 kg), 2,359 kg metal (2018: 726 kg) and 1,067 kg plastic (2018: 1,245 kg).

Environmental Impact of transporting goods

Most of our delivery trucks are in compliance with the EURO V standard which helps to reduce the emission of CO_2 and other gases.

In addition, we work with customers to optimize the delivery schedule, taking advantage of consolidation opportunities whenever possible in order to achieve fuel and CO_2 emissions reduction.

Deforestation

Among other factors, greenhouse gas emissions from deforestation is contributing to climate change. Working with suppliers and customers, Megachem is making efforts to reduce deforestation from the chemical supply chain. For example, in the sourcing for paper materials, we will try to source for materials that are made from renewable fibres and certified by international certification organization which promotes sustainable forest management.

Compliance

In 2019, Megachem did not incur any significant fines for non-compliance with environmental laws and regulations (2018: nil).

Earth Day

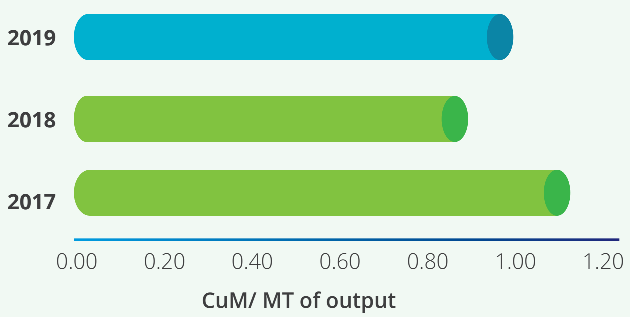
Every year, Earth Day aims to encourage people around the world to be more environmental-friendly.

On this day, Megachem around the world turned off all lights for an hour to support the Global Earth Day initiative.

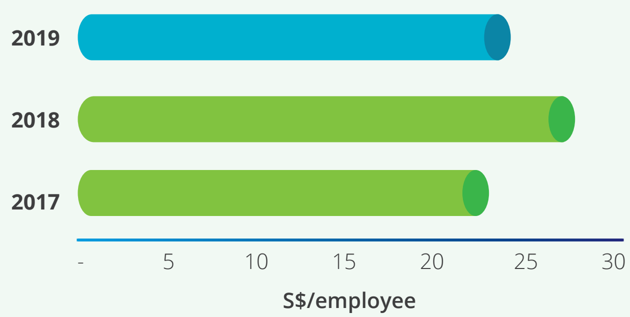
SUSTAINABILITY REPORT

Performance Highlights

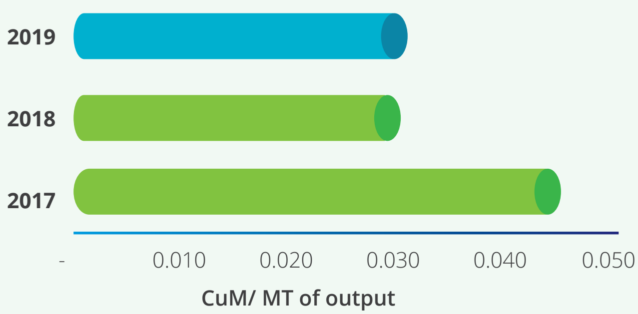
Water Consumption (Singapore)



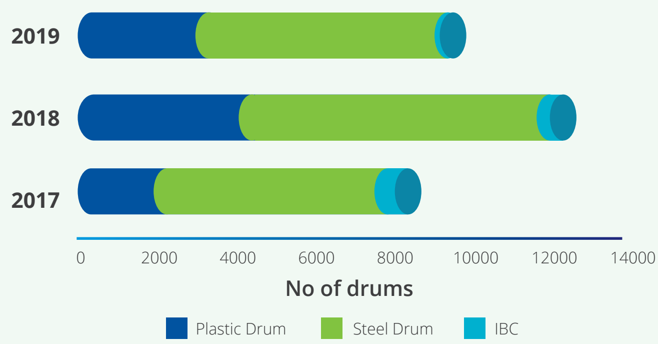
Paper Usage



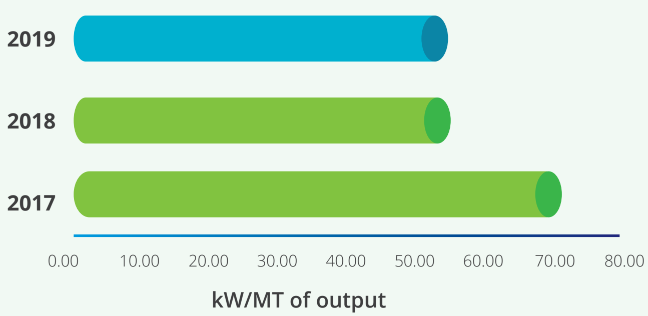
Waste Water Generation (Singapore)



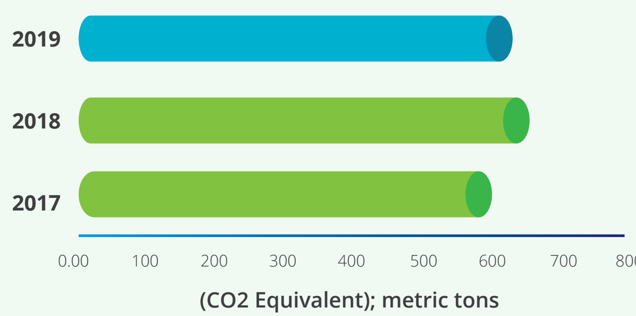
Recovered Packaging



Electricity Consumption (Singapore)



Greenhouse Gas Emission (in Singapore)



TARGETS & PLANS	
1. (a) Chemical waste generated not exceeding	Maximum 0.5kg per 1000kg Purchase Order quantity
(b) Energy consumption (non-production activities)	Reduce 5%
(c) Waste water generated from production (average per blending)	Reduce 4%
2. To comply with all operating requirements and conditions required by legislation relevant to environmental management.	0 non-compliance

SOCIAL - Product Responsibilities

Health & Safety

Objective

We take pride in our commitment to maintain high level of health and safety standards. They are the foundations of trust that our people, customers and vendors place in us. We therefore aim to achieve uncompromised level of health and safety standards in our plants, products and processes.

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

SOCOTEC
CERTIFICATION INTERNATIONAL

ISO 9001
ISO 14001
ISO 22301
BS OHSAS 18001

GOLD
2018
ecovadis
CSR Rating

Approach

The framework for our Health, Safety and Environment (HSE) management is modelled after international standards. We have attained international certification such as the ISO 14001:2015 and OHSAS 18001:2007 certification and are a member of the Responsible Care Program. We are targeting to convert the OHSAS 18001:2017 certification to ISO 45001:2018 in year 2020 which has an increased emphasis on management commitment, worker involvement, and risk control.

We have also received several Responsible Care Awards for attaining excellence in meeting international HSE standards from the Singapore Chemical Industry Councils. Internal and external audits are being conducted to ensure that our HSE programs consistently meet international standards.

Safety Data Sheets detailing health, safety and environment measures are available for all products that we handle. In our Product Stewardships Program, we conducted Global Product Strategy evaluation on existing products range to layout and execute the risk management based on the evaluated hazard assessment and risk characterization. The risk of prioritized products are communicated with the various interested parties, including warehouse personnel, and customer on the Products Safety Summary and Safety Handling Guidelines.

Our plants are built to meet stringent regulatory requirements in relation to Health & Safety ("**H&S**") and our processes are designed with features to reduce H&S risk. Our goal is to operate the plant safely with no leaks or incidents that may cause serious injury to our employees, contractors or neighbors. We routinely prepare and practice our emergency response to potential incidents such as chemical spill or a fire. This involves working closely with the Singapore Civil Defence Force to jointly test our emergency response plans and procedures. The joint exercises continually improve our readiness to respond. If an incident does occur, we have procedures in place to mitigate the risk and reduce the impact on people and the environment.

Megachem's employees operate a large number of vehicles such as delivery trucks, high reach trucks and forklift trucks on our company's premises and on public roads every day. There are serious risks and hazards associated with it and can cause significant harm to the environment as well as humans if accidents occur. At Megachem, we are aware of the risks and hazards and we have programmes to ensure that the drivers are well-trained and the equipment are in good condition to carry out daily job requirements. Drivers for delivery trucks undergo special safety training and possess hazardous transport driving permit ("**HTDP**"). They are also trained in safe loading methods, securing of cargo and understand how to react during an emergency according to the transport emergency response plan ("**TERP**"). The vehicles are also equipped with GPS and tracking device with speed limit alert. Their driving skills are regularly assessed by the supervisor. The vehicles are also regularly inspected and maintained by certified third party service provider. The delivery trucks are also subjected to inspection by the regulatory body such as Singapore Civil Defence Force ("**SCDF**") and Land Transport Authority ("**LTA**").

Employees are required to wear suitable safety clothing and personal protection equipment such as helmet, safety shoes, reflective clothing at work. Pathways are appropriately indicated in Megachem's premises. As a result of the programmes in place at Megachem, we are not only able to reduce the number of incidents/accidents, but also able to increase the safety awareness of our employees.

The production and use of chemicals in workplaces present one of the most significant challenges in workplace protection programs. As part of our Company's efforts, we strive to ensure the safety and health of the employees in Megachem. Workplace safety and health is an important practice toward this goal. In order to enhance and promote safety awareness, a Safety Day program is organized for our employees, some of our customers and suppliers as well as our neighbours. For this event, SCDF officers provide us with better understanding of safety standards in handling flammable and hazardous chemicals. The other activities of this program include safety video sharing, safety quiz and safety games.

Sourcing for the right 3rd party provider to store our products is of paramount importance to our business. We have developed a warehouse assessment checklist to ensure that the 3rd party provider adhere to our storage requirements and to acceptable safety, health, environment and security standards.

Performance Highlights

For 2019, there has been no cases of non-compliance with health and safety regulations.

	2017	2018	2019
Man Days Lost	0	3	0
No of Industrial Accident (Singapore)	0	1	0

Targets & Plans

To achieve zero reportable accident.

To comply with occupational health and safety requirements of all employees with no findings from authority.

Product Labelling

Objective

To protect humans and environment against hazardous chemicals as well as to facilitate international trade by ensuring that all chemicals moving into and out of a country are classified, packaged and labelled in accordance with a globally harmonised system.

Approach

Another way in which Megachem contributes to international chemical safety is through our support of the United Nations' initiative to implement a Globally Harmonized System (GHS) of Classification and Labeling of Chemicals. GHS is a system for chemical classification and hazard communication through harmonised provisions for standardized labels and safety data sheets.

Performance Highlights

The GHS system of chemical classification is currently being implemented.

There has been no cases of non-compliance with regulations concerning product labelling (2018: nil).

Target

Zero cases of non-compliance

Customer Satisfaction

Objective

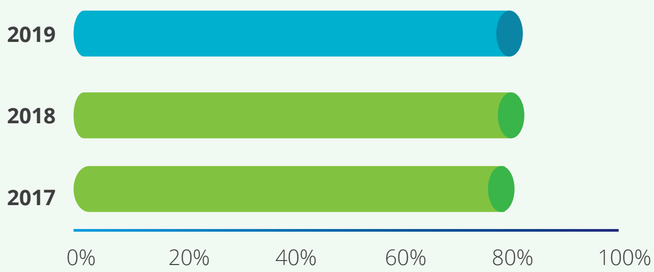
To ensure our products and services are delivered to the satisfaction of our customers.

Approach

Megachem measures customer satisfaction through annual survey and seeks continuous improvement so as to deliver total customer satisfaction.

Performance Highlights

Customer Satisfaction



The customer satisfaction survey has been reviewed and areas for improvement have been identified.

Targets & Plans

To achieve customer satisfaction level of at least 85%.

Customer Privacy

Objective

To protect customers and suppliers intellectual property ("**IP**") rights and privacy.

Approach

Megachem ensures that only relevant employees have access to customers and suppliers confidential information and that such information are properly stored and secured.

In order to protect intellectual property rights of our customers and suppliers, their IP rights are used only to the extent stipulated in non-disclosure agreements with them.

Performance Highlights

We have not received any substantiated complaints relating to breach of customer privacy or loss of customers data (2018: nil).

Sustainable Products

Objective

To include sustainable products in product portfolio.

Approach

Major chemical producers are increasingly focused on developing products which reduces environmental impact, thereby providing sustainable alternatives to conventional products. As a distributor of chemicals, our goal is to add more of such sustainable products into our product portfolio and introducing them to our customers, hence contributing to the industry's sustainability objectives.

Product Compliance

Objective

To comply with relevant regulations concerning the sale of our products.

Approach

In the European Union ("**EU**"), all imported or manufactured chemical substances above a quantity of one tonne per year are subject to registration under Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulations. Similar registration requirements and regulations exist for other markets. In Canada, the United States, Australia, Korea, China and Turkey, for example, notification is also mandatory for new chemicals on the market.

In Megachem, our regulatory compliance team together with our supply chain team ensures that information required from our suppliers to comply with the REACH regulations are accurate and complete and that they are readily available for submission to the regulatory authorities.

In order to evaluate the impact of any change of product design, process and raw material(s) to end customer and interest parties, we had initiated a Management of Change team to evaluate the risk, communicate the change and its impact to interested parties through automated notification system.

We also adopted the Global Product Strategy ("**GPS**") from International Council of Chemical Associations on the evaluation of Chemical Risk Assessment and established a Product Safety Summary as well as Product Safe Handling Guide on high-risk products.

Performance Highlights

There has been no cases of non-compliance with regulations concerning product compliance (2018: nil).

SUSTAINABILITY REPORT

SOCIAL - Labour Practices & Work Environment

Objective

To sustain our human capital to achieve our long-term goals.

Approach

Megachem is influenced by the effects of demographic changes worldwide. The rising life expectancy, shrinking and aging population represent challenges for companies' human resources management. We at Megachem have an important role to play in mastering the demographic challenges of the future. From the way in which we address these challenges, we can shape the social environment which we operate in and at the same time secure competitive advantages. Sustaining our human capital therefore becomes critical for us to achieve our long-term goals.

Employment : Employees Well-being/Fair Wages/Talent Management

With a view to maintaining the employability of our workforce, increased focus is placed on preventive health care. Annually health screening examinations and sporting activities are examples of what we do to positively influence employees' health. We have been actively participating in activities to encourage employees to walk towards a healthier future. We also provide comprehensive health insurances to our employees to help defray part of their medical costs.

Work-Life Achiever Award

As a Work Life Achiever Award recipient, Megachem commits to create and sustain a working environment supportive of work life balance for all employees where they are respected partners of the business.

We purchase external wage data and strike to balance our salary structure externally and internally. Market data serves as an external benchmarking tools and with the objective to pay fairly and reasonable to our employees.

Competition for talent will become more intensified as well with the changing demographics. Megachem's human resource management adopts a holistic approach that not only provides tangible rewards but also intangibles such as work-life balance practices, education sponsorship, continuous training and upgrading as well as flexible work schedule. Our employees are also entitled to various type of leaves such as parental care, career break/sabbatical, prolonged sickness, dependent care, maternity, paternity and examination leave. These initiatives are also aimed at prolonging the employability of our employees.

Subsidy for Children's Education & Support Grant

With the commitment towards enriching the well-being of our employees, we provide subsidy to our lower income employees to defray part of their children's education cost, ranging from nursery up to tertiary education.

We have also launched a new scheme called Support Grant for Special Needs Children. This scheme targeting to assist employees on their financial abilities to cope with the necessary medical treatment.

Training and Education

Our Higher Learning Education program provides financial assistance to eligible employees who choose to further their professional education and training that will enhance their knowledge and skills. Education sponsorships are available for staff who wish to pursue higher education.

PEOPLE DEVELOPER
SINGAPORE

Megachem is a certified "People Developer" organisation in Singapore. "People Developer" is a certification awarded by Enterprise Singapore to companies which have achieved the niche Business Excellence standard for human resource development. This niche standard provides us with a total approach to attracting, managing and engaging employees for high performance and aims to bring the best out of our people. All the best practices will be shared and implemented in our entities.

Megachem welcomes interns/attachment students to embark on an exciting learning journey with challenging assignments and projects. Upon graduation, these interns are encouraged to apply and join the Company as Management Trainees in their first step towards building a promising career.

Diversity & Equal Opportunity

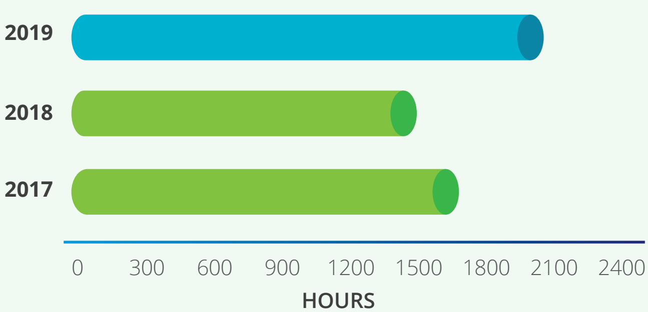
At Megachem, we value and respect each individual in the organisation and ensure that all of our employees feel they are a part of the organisation – cultivating a culture of mutual respect. Hence Megachem has a non-discriminatory culture that it does not discriminate on the basis of race, religion, gender, marital status or age.

Performance Highlights

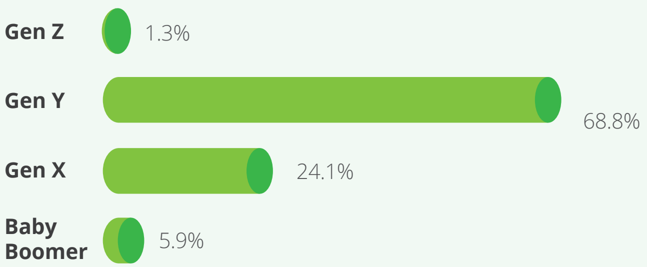
Megachem has 237 employees in its organization as at 31 December 2019.

Child Education Subsidy (Group)

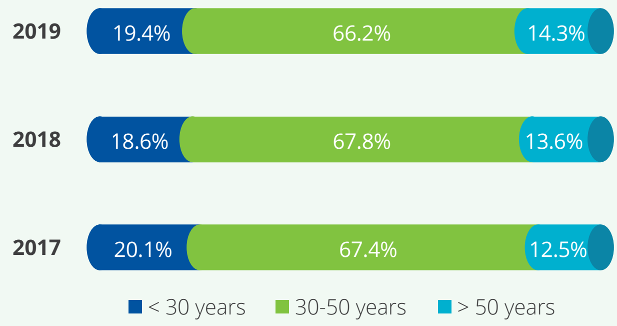
Training Hours (Group)



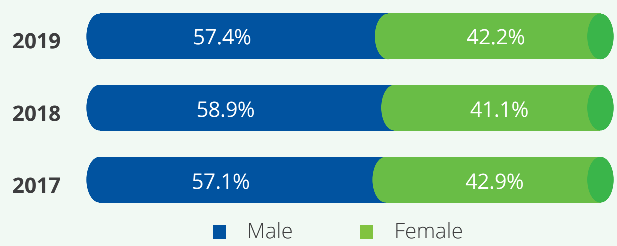
Generation (Group)



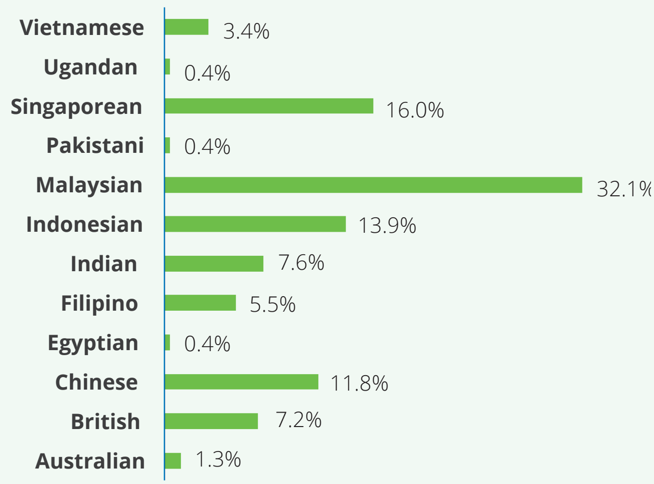
Employee Age Distribution (Group)



Gender Diversity (Group)



Nationality (Group)



SUSTAINABILITY REPORT

Targets & Plans

To obtain renewal / re-certification of People Developer Certification.

SOCIAL - Society

Objective

To play our part in nation building.

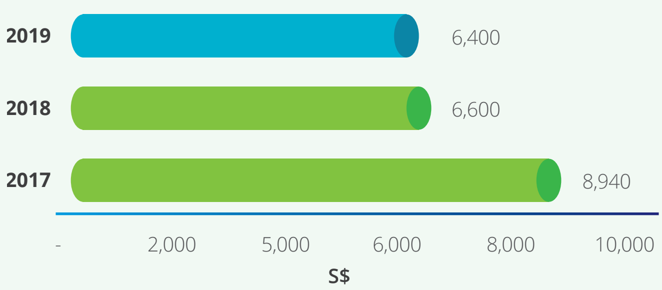
Approach

At Megachem, we recognize that businesses have a part to play in nation-building especially in providing assistance to people who are less fortunate than others. As such, we work closely with charitable organizations in finding ways for us to contribute to society. These come not just in the form of monetary contribution but also in committing time and effort in participating in these organizations' activities. Annually, Megachem visits several charitable homes during which we make donations as well as provide basic necessities to them. We also participate annually in several fund-raising events and in youth development program.

Megachem participates actively in charity programmes as part of our social responsibility to the community.

Performance Highlights

Donation (Group)



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FY2019
FINANCIAL STATEMENT

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STATEMENT BY DIRECTORS

The directors of the Company are pleased to present the accompanying financial statements of the Company and of the Group for the reporting year ended 31 December 2019.

1. Opinion of the directors

In the opinion of the directors,

(a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; and

(b) at the date of the statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. Directors

The directors of the Company in office at the date of this statement are:

Chew Choon Tee
Tan Bock Chia
Lee Bon Leong
Chan Kam Loon
Tay Kin Bee
Tatsuyuki Sakoda (Appointed on 1 March 2019)

3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the reporting year were not interested in shares in or debentures of the Company or other related body corporate as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 ("the Act") except as follows:

	Direct Interest		**Deemed Interest**	
	At 1.1.19	**At 31.12.19**	**At 1.1.19**	**At 31.12.19**
Name of directors	Number of shares of no par value			
Chew Choon Tee	46,232,416	46,512,516	444,296	444,296
Tan Bock Chia	25,435,083	25,435,083	–	–
Lee Bon Leong	100,000	100,000	–	–

By virtue of section 7 of the Act, Mr Chew Choon Tee, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the Company and in all the related corporations of the Company.

The directors' interests as at 21 January 2020 were the same as at 31 December 2019.

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable 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.

5. Options

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

6. Report of Audit Committee

The members of the Audit Committee at the date of this report are as follows:

Mr Chan Kam Loon	(Chairman of Audit Committee, Independent and Non-Executive Director)
Mr Lee Bon Leong	(Independent and Non-Executive Chairman)
Dr Tay Kin Bee	(Independent and Non-Executive Director)

The Audit Committee carried out its function in accordance with section 201B(5) of the Companies Act, Chapter 50. The Audit Committee's main functions are to:

- review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and of the Group and any announcements relating to the Group's financial performance;
- review and report to the Board annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls;
- review effectiveness of the Company's internal audit function;
- review the scope and results of the external audit and the independence and objectivity of the external auditors;
- make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and the terms of engagement of the external auditors;
- review the Group's results announcements, consolidated financial statements and other documents accompanying the same before they are recommended to the Board for approval; and
- review and, where appropriate, approve interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

STATEMENT BY DIRECTORS

6. Report of Audit Committee (cont'd)

Other functions performed by the Audit Committee are described in the report on corporate governance included in the annual report. It also includes an explanation of how the independent auditor's objectivity and independence is safeguarded where the independent auditor provides non-audit services.

The Audit Committee has recommended to the Board of Directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next annual general meeting of the Company.

7. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, other committees of the Board and the Board, the Audit Committee and the Board are of the opinion that Group's system of internal controls, addressing financial, operational, compliance risks, are adequate as at the end of the reporting year 31 December 2019.

9. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 20 February 2020, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On behalf of the directors

Chew Choon Tee	Tan Bock Chia
Managing Director	Executive Director

10 March 2020

Independent Auditor's Report to the Members of
MEGACHEM LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Megachem Limited (the "Company") and its subsidiaries (the "Group"), 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, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the reporting year then ended, and notes to the financial statements, including 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 the Singapore Financial Reporting Standards (International) (SFRS)(I) 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 reporting 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 auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company 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 ("KAMs") are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current reporting year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment of trade receivables

Refer to Note 2 for the relevant accounting policy and Notes 17 and 27F for the breakdown of trade receivables and credit risk of the Group respectively. Also refer to the audit committee section in the corporate governance report of the annual report and responses to the reported KAMs.

Key audit matter

The carrying amount of trade receivables amounted to $21,645,333 which accounted for approximately 25% of the Group's total assets as at the reporting year end.

The gross amount of trade receivables past due over 6 months amounted to $582,433. Provision stood at $564,796, leaving a net amount of $17,637 that was not provided for as management is of the view that these amounts are recoverable, based on their knowledge of the customers' payment history and credit worthiness.

Determining the amount of allowance requires management's judgement on overdue debts and the amount of collection default based on past collection trends.

INDEPENDENT AUDITOR'S REPORT

Key audit matters (cont'd)

1. <u>Impairment of trade receivables</u> (cont'd)

<u>How we addressed the matter in our audit</u>

We have evaluated management's judgement on the recoverability of these amounts via our review of the customers' credit worthiness, payment history and management's assessment of expected credit losses. We have also reviewed management's process over the recoverability of outstanding trade receivables, which included the review of payments made by the customers subsequent to the reporting year end and the review of correspondence with customers to assess the potential recoverability of significant balances not provided for.

We found management's approach to be balanced and the estimates to be reasonable.

We have also assessed the adequacy of the disclosures made in the financial statements.

2. <u>Impairment of inventories</u>

Refer to Note 2 for the relevant accounting policy and Note 16 for the breakdown of inventories at the reporting year end. Also refer to the audit committee section in the corporate governance report of the annual report and responses to the reported KAMs.

<u>Key audit matter</u>

The carrying amount of inventories amounted to $25,419,242, which accounted for approximately 30% of the Group's total assets as at the reporting year end.

The Group's inventory provision policy takes into consideration the inventory ageing profiles, as well as the inventories' sales patterns for the year. Management is of the view that these amounts are realisable, based on their knowledge of the Group's operations, the industry and their technical assessment of the inventories.

Determination of the method to use, period to consider, and percentages to apply to aged inventory requires significant management's judgement.

<u>How we addressed the matter in our audit</u>

We have evaluated the Group's policy for inventory obsolescence and reviewed management's judgement on their technical assessment of the inventories via our understanding of the business environment and our review of the inventories' sales patterns.

We have also reviewed the Group's inventory ageing as at the reporting year end, as well as the Group's computation for inventory obsolescence and found them to be reasonable. We have compared the carrying values of the inventories to the recent sales invoices and price lists.

We have also assessed the adequacy of the disclosures made in the financial statements.

Key audit matters (cont'd)

3. Impairment of subsidiaries

Refer to Note 2 for the relevant accounting policy and Note 13 for the breakdown of cost of investments in subsidiaries at the reporting year end. Also refer to the audit committee section in the corporate governance report of the annual report and responses to the reported KAMs.

Key audit matter

The carrying amount of subsidiaries recorded by the Company amounted to $5,871,772, which accounted for approximately 15% of the Company's total assets as at the reporting year end.

Management determines at the end of each reporting year, whether there is any objective evidence indicating that the Company's investments in subsidiaries are impaired. Where there are indicators of impairment, management uses the value-in-use method to determine the recoverable amount of the subsidiary. The value-in-use calculation requires management to identify the cash-generating unit ("CGU") that the subsidiary is in, and estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. In estimating the future cash flows of the CGU, management forecasted the revenue, growth rates and margins based on presently available information.

Key assumptions and management's estimates used in the value-in-use model for the determination of the recoverable amount of the subsidiaries requires significant judgement.

How we addressed the matter in our audit

We have reviewed management's estimates used in the value-in-use model through our knowledge of the CGU's operations, their past performance, management's growth strategies and cost initiatives.

We have also assessed the reasonableness of the discount rates used in the impairment assessment by comparing against regional indices and industry benchmarks.

Based on our procedures, management's key assumptions are found to be within a reasonable range of our expectations.

We have also assessed the adequacy of the disclosures made in the financial statements.

Other information

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

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

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

INDEPENDENT AUDITOR'S REPORT

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 the financial reporting standards, 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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:

a) 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.

b) 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.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

d) 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's responsibilities for the audit of the financial statements (cont'd)

e) 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.

f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 auditor's report is Woo E-Sah.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

10 March 2020

Engagement partner - effective from year ended 31 December 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	Group 2019	Group 2018
		$	**$**
Revenue	3	**113,784,989**	117,878,212
Cost of sales		**(85,604,642)**	(88,430,592)
Gross profit		**28,180,347**	29,447,620
Other income	3	**586,166**	423,067
Distribution costs		**(15,477,071)**	(15,700,699)
Administrative expenses		**(5,543,061)**	(5,338,439)
Other operating expenses		**(2,873,862)**	(3,470,794)
Finance costs	5	**(1,016,066)**	(750,178)
Share of profit of associated companies	14	**1,110,220**	771,491
Profit before income tax		**4,966,673**	5,382,068
Income tax expense	7	**(984,645)**	(1,108,983)
Net profit		**3,982,028**	4,273,085
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations, net of tax		**347,223**	338,798
Total comprehensive income		**4,329,251**	4,611,883
Net profit attributable to equity holders of the Company		**3,843,641**	4,079,825
Net profit attributable to non-controlling interests		**138,387**	193,260
Net profit		**3,982,028**	4,273,085
Total comprehensive income attributable to equity holders of the Company		**4,210,604**	4,409,563
Total comprehensive income attributable to non-controlling interests		**118,647**	202,320
Total comprehensive income		**4,329,251**	4,611,883
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
Basic and diluted	9	**2.88**	3.06

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Notes	Group 2019	Group 2018	Company 2019	Company 2018
		$	**$**	**$**	**$**
ASSETS					
Non-current assets					
Property, plant and equipment	10	**10,288,945**	10,711,685	**1,345,621**	1,453,931
Right-of-use assets	11	**2,803,351**	–	**1,135,430**	–
Investment property	12	**75,886**	79,165	**–**	–
Investments in subsidiaries	13	**–**	–	**5,871,772**	5,871,772
Investments in associated companies	14	**6,609,815**	5,760,592	**2,798,756**	2,798,756
Transferable club memberships	15	**26,959**	27,012	**4,001**	4,001
Other receivables	17	**–**	–	**808,080**	–
Deferred tax assets	7	**442,306**	261,574	**–**	–
Total non-current assets		**20,247,262**	16,840,028	**11,963,660**	10,128,460
Current assets					
Inventories	16	**25,419,242**	26,086,640	**9,738,588**	11,333,191
Trade and other receivables	17	**22,945,824**	24,082,338	**14,704,424**	17,937,409
Financial assets at fair value through profit or loss	18	**227,490**	383,606	**222,500**	340,145
Other current assets	19	**2,444,336**	2,118,083	**334,383**	212,086
Cash and cash balances	20	**14,880,406**	12,199,484	**1,934,510**	1,669,521
Total current assets		**65,917,298**	64,870,151	**26,934,405**	31,492,352
Total assets		**86,164,560**	81,710,179	**38,898,065**	41,620,812
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	**15,892,028**	15,892,028	**15,892,028**	15,892,028
Other reserves	22	**(3,852,217)**	(4,219,180)	**–**	–
Retained earnings		**37,596,451**	35,485,710	**7,029,968**	7,996,206
		49,636,262	47,158,558	**22,921,996**	23,888,234
Non-controlling interests		**2,809,727**	2,781,126	**–**	–
Total equity		**52,445,989**	49,939,684	**22,921,996**	23,888,234

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Notes	Group 2019	Group 2018	Company 2019	Company 2018
		$	$	$	$
Non-current liabilities					
Borrowings	23	**864,534**	1,309,229	**–**	–
Financial liabilities – lease liabilities	25	**2,572,232**	–	**1,142,914**	–
Total non-current liabilities		**3,436,766**	1,309,229	**1,142,914**	–
Current liabilities					
Current income tax liabilities		**241,614**	215,584	**91,000**	48,612
Trade and other payables	24	**12,142,014**	12,036,224	**5,554,639**	6,212,188
Borrowings	23	**17,564,633**	18,196,152	**9,174,237**	11,468,755
Financial liabilities – lease liabilities	25	**282,727**	–	**13,279**	–
Financial liabilities at fair value through profit or loss	26	**50,817**	13,306	**–**	3,023
Total current liabilities		**30,281,805**	30,461,266	**14,833,155**	17,732,578
Total liabilities		**33,718,571**	31,770,495	**15,976,069**	17,732,578
Total equity and liabilities		**86,164,560**	81,710,179	**38,898,065**	41,620,812

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Notes	Total equity $	Parent subtotal $	Share capital $	Other reserves $	Retained earnings $	Non-controlling interests $
Group:							
Current year:							
Opening balance at 1 January 2019		**49,939,684**	**47,158,558**	**15,892,028**	**(4,219,180)**	**35,485,710**	**2,781,126**
Total comprehensive income for the reporting year		**4,329,251**	**4,210,604**	**–**	**366,963**	**3,843,641**	**118,647**
Final dividend relating to 2018 paid	8	**(1,066,400)**	**(1,066,400)**	**–**	**–**	**(1,066,400)**	**–**
Interim dividend relating to 2019 paid	8	**(666,500)**	**(666,500)**	**–**	**–**	**(666,500)**	**–**
Final dividend paid to non-controlling interests		**(90,046)**	**–**	**–**	**–**	**–**	**(90,046)**
Closing balance at 31 December 2019		**52,445,989**	**49,636,262**	**15,892,028**	**(3,852,217)**	**37,596,451**	**2,809,727**
Previous year:							
Opening balance at 1 January 2018		47,194,001	44,615,195	15,892,028	(4,548,918)	33,272,085	2,578,806
Total comprehensive income for the reporting year		4,611,883	4,409,563	–	329,738	4,079,825	202,320
Final dividend relating to 2017 paid	8	(933,100)	(933,100)	–	–	(933,100)	–
Interim dividend relating to 2018 paid	8	(933,100)	(933,100)	–	–	(933,100)	–
Closing balance at 31 December 2018		49,939,684	47,158,558	15,892,028	(4,219,180)	35,485,710	2,781,126

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Net profit		**3,982,028**	4,273,085
Adjustments for:			
Change in fair value of financial assets		**117,500**	240,000
Depreciation of property, plant and equipment and investment property		**864,717**	912,110
Depreciation of right-of-use assets		**365,331**	–
Dividend income		**(4,922)**	(1,986)
Gain on disposal of property, plant and equipment		**(6,507)**	(44,597)
Share of profit of associated companies		**(1,110,220)**	(771,491)
Income tax expense		**984,645**	1,108,983
Interest income		**(184,410)**	(122,673)
Finance costs		**1,016,066**	750,178
Operating cash flow before working capital changes		**6,024,228**	6,343,609
Change in operating assets and liabilities			
Trade and other receivables		**580,325**	2,769,586
Inventories		**543,423**	(2,229,235)
Financial assets at fair value through profit or loss		**(4,919)**	(45,323)
Trade and other payables		**367,946**	(2,982,471)
Financial liabilities at fair value through profit or loss		**50,010**	13,712
Foreign exchange adjustment differences		**(58,451)**	(46,417)
Cash generated from operations		**7,502,562**	3,823,461
Income tax paid		**(1,076,160)**	(1,337,161)
Interest received		**181,585**	122,673
Net cash from operating activities		**6,607,987**	2,608,973
Cash flows from investing activities			
Dividends received from associated company and listed equity securities		**701,648**	664,965
Purchase of property, plant and equipment		**(459,498)**	(749,226)
Proceeds from sale of property, plant and equipment		**16,730**	44,662
Net cash from/(used in) investing activities		**258,880**	(39,599)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 $	2018 $
Cash flows from financing activities			
Dividends paid		**(1,732,900)**	(1,866,200)
Dividends paid by subsidiary to non-controlling shareholders		**(90,046)**	–
Repayments of long term bank loans		**(818,276)**	(809,172)
(Repayments of)/proceeds from bill payables		**(2,085,168)**	861,998
Proceeds from short term bank loans		**1,917,208**	2,851,714
Lease liabilities		**(456,804)**	–
Interest paid		**(865,539)**	(710,481)
Net cash (used in)/from financing activities		**(4,131,525)**	327,859
Net increase in cash and cash equivalents		**2,735,342**	2,897,233
Cash and cash equivalents, statement of cash flows, beginning balance		**12,199,484**	9,344,937
Effects of exchange rate changes on cash and cash equivalents		**(54,420)**	(42,686)
Cash and cash equivalents, statement of cash flows, ending balance	20A	**14,880,406**	12,199,484

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

1. General

The Company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the Company (referred to as "parent") and its subsidiaries.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors. The directors have the power to amend and reissue the financial statements.

The principal activities of the Company consist of trading in chemicals and chemical-related products and investment holding. It is listed on Catalist which is a share market on Singapore Exchange Securities Trading Limited.

The principal activities of the subsidiaries are described in Note 13 below.

The registered office is: 11 Tuas Link 1, Singapore 638588. The Company is situated in Singapore.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS (I) s") and the related Interpretations to SFRS (I) ("SFRS (I) INT") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

1. General (cont'd)

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with the financial reporting standard on financial instruments.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the Company's separate statement of profit or loss and other comprehensive income is not presented.

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods – Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

Services – Revenue from service orders and term projects is recognised when the entity satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions revenue is recognised as the services are provided.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Revenue recognition (cont'd)

Rental income is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term.

Interest income is recognised using the effective interest method.

Dividend from equity instruments is recognised as income when the entity's right to receive payment is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount of the dividend can be measured reliably.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is presented in the statement of financial position by recognising the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset and in the proportions in which depreciation expense on those assets is recognised.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). Certain subsidiaries overseas have defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund may or may not be held separately from those of the entity in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds and are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest rate method.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries and associates except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The useful lives are as follows:

Buildings on freehold land	–	50 years
Buildings on leasehold land	–	Over the period of lease of 20 to 30 years
Machinery and equipment	–	4 to 5 years
Motor vehicles	–	3 to 5 years
Computer equipment, furniture and fixtures	–	3 to 5 years

Freehold land is not depreciated.

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Investment property

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee as a right-of-use asset under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs the cost model is used to measure the investment property using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value. For disclosure purposes only, the fair values are measured periodically on a systematic basis at least once in five years by external independent professional valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

The useful live of building on freehold land is 50 years.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Right-of-use assets

The right-of-use assets are accounted and presented as if they were owned such as property plant and equipment.

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A right-of-use asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The right-of-use asset is depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and an interest expense on the recognised lease liability (included in finance costs). For short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office equipment) where an accounting policy choice exists under the lease standard, the lease payments are expensed to profit or loss as incurred on a straight line basis over the remaining lease term.

Lessor

As a lessor the reporting entity classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset and it is presented in its statement of financial position as a receivable at an amount equal to the net investment in the lease. For a finance lease the finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Lease payments from operating leases are recognised as income on either a straight-line basis or another systematic basis over the term of the lease.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with the financial reporting standard on business combinations. However the entire carrying amount of the investment is tested under the financial reporting standard on impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in the financial reporting standard on financial instruments indicates that the investment may be impaired.

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with the financial reporting standard on financial instruments from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

In the Company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of an investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. There were no business combinations during the reporting year.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Inventories

Inventories are measured at the lower of cost (first in first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss "(FVTPL)", that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income "(FVTOCI)": There were no financial assets classified in this category at reporting year end date.

3. Financial asset that is an equity investment classified as measured at fair value through other comprehensive income "(FVTOCI)": There were no financial assets classified in this category at reporting year end date.

4. Financial asset classified as measured at fair value through profit or loss "(FVTPL)": All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss "(FVTPL)" in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Derivative financial instruments

A derivative financial instrument is a financial instrument with all three of the following characteristics (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices, credit ratings or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract; (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) it is settled at a future date. The derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently classified as measured at FVTPL unless the derivative is designated and effective as a hedging instrument.

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

2. Significant accounting policies and other explanatory information (cont'd)

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Segment reporting

The Group discloses financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities currently or within the next financial year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Net realisable value of inventories:

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in the note on inventories.

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Allowance for trade receivables:

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates (over a period of certain months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined accordingly. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the note on trade and other receivables.

Measurement of impairment of subsidiary or associate:

Where an investee is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset. The carrying amount of the specific asset at the end of the reporting year affected by the assumption is $1,220,019.

Income tax amounts:

The Group recognises tax liabilities and assets tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. As a result, due to their inherent nature assessments of likelihood are judgemental and not susceptible to precise determination. The income tax amounts are disclosed in the note on income tax.

Assessment of impairment of right-of-use asset:

Significant judgement is applied by management when determining impairment of the right-of-use asset. Impairment is assessed for separable parts of leased buildings that have been or will be vacated in the near future. The impairment is sensitive to changes in estimated future expected sub-lease income and sub-lease period. Judgement is also involved when determining whether sub-lease contracts are financial or operational, as well as when determining lease term for contracts that have extension or termination options. The carrying amount at the end of the reporting year was $2,803,351.

3. Revenue and other income

	Group	
	2019	**2018**
	$	**$**
Sale of goods	**110,135,741**	114,269,616
Rendering of services	**3,649,248**	3,608,596
Total sales	**113,784,989**	117,878,212
Other income		
- Bad trade receivables recovered	**352,111**	113,344
- Changes in fair value of financial assets at fair value through profit or loss (Note 18)	**4,919**	45,323
- Dividend income from quoted corporations	**4,922**	1,986
- Gain on disposal of property, plant and equipment	**6,507**	44,597
- Government grant	**16,739**	78,370
- Interest income – banks	**184,410**	122,673
- Rental income	**16,558**	16,774
Other income	**586,166**	423,067
Total sales and other income	**114,371,155**	118,301,279

The revenue from sale of goods and rendering of services is recognised based on point in time and all contracts with customers are less than 12 months.

4. Expense by nature

	Group	
	2019	**2018**
	$	**$**
Cost of inventories	**82,750,191**	85,825,921
Depreciation of investment property (Note 12)	**3,103**	3,143
Depreciation of property, plant and equipment (Note 10)	**861,614**	908,967
Depreciation of right-of-use assets (Note 11)	**365,331**	–
Employee compensation (Note 6)	**15,079,119**	15,316,833
Changes in fair value of financial liabilities at fair value through profit or loss (Note 26)	**50,010**	13,712
Changes in fair value of financial assets at fair value through profit or loss (Note 18)	**117,500**	240,000
Net foreign exchange translation loss	**106,408**	748,070
Impairment of doubtful trade receivables – individually impaired (Note 17)	**96,350**	272,020
Impairment of doubtful trade receivables – collectively impaired (Note 17)	**–**	66,000
Inventories written off (Note 16)	**401,725**	74,008
Rental on short term leases	**168,035**	481,036
Warehouse storage charges	**2,585,961**	2,335,239
Other expenses	**6,913,289**	6,655,575

5. Finance costs

	Group 2019 $	Group 2018 $
Interest expense:		
- Bills payable to banks	**473,734**	492,849
- Bank loans	**399,174**	257,329
- Lease for right-of-use assets (Note 25)	**143,158**	–
Total finance costs	**1,016,066**	750,178

6. Employee compensation

	Group 2019 $	Group 2018 $
Wages and salaries	**13,704,196**	13,940,847
Contributions to defined contribution plans	**1,374,923**	1,375,986
Total employee compensation (Note 4)	**15,079,119**	15,316,833

7. Income tax expense

7A. Components of tax expense recognised in profit or loss include:

	Group 2019 $	Group 2018 $
Current tax expense:		
Current tax expense	**1,105,535**	1,158,050
Under/(over) adjustments to current tax in respect of prior periods	**59,842**	(55,775)
Subtotal	**1,165,377**	1,102,275
Deferred tax (income)/expense:		
Deferred tax (income)/expense	**(43,381)**	6,708
Over adjustments to deferred tax in respect of prior periods	**(137,351)**	–
Subtotal	**(180,732)**	6,708
Total income tax expense	**984,645**	1,108,983

7. Income tax expense (cont'd)

7A. Components of tax expense recognised in profit or loss (cont'd)

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate where the parent is domiciled. The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17.0% (2018: 17.0%) to profit before income tax as a result of the following differences:

	Group	
	2019	**2018**
	$	**$**
Profit before tax	**4,966,673**	5,382,068
Less: share of profit of associated companies	**(1,110,220)**	(771,491)
	3,856,453	4,610,577
Income tax expense at the above rate	**655,597**	783,798
Not deductible items	**129,897**	110,768
Tax exemptions	**(30,703)**	(39,360)
Over adjustments to tax in respect of prior periods	**(77,509)**	(55,775)
Withholding taxes paid	**122,467**	104,525
Effect of different tax rates, rebates and incentives	**167,741**	250,898
Deferred tax assets recognised this year	**–**	(45,871)
Unrecognised deferred tax asset	**17,155**	–
Total income tax expense	**984,645**	1,108,983

There are no income tax consequences of dividends to owners of the Company.

7B. Deferred tax (income)/expense recognised in profit or loss include:

	Group	
	2019	**2018**
	$	**$**
Deferred tax liabilities:		
Excess of net book value of plant and equipment over tax values	**(92,958)**	(34,697)
Deferred tax assets:		
Provisions	**(105,717)**	17,325
Tax loss carryfowards	**17,943**	24,080
Total deferred tax (income)/expense recognised in profit or loss	**(180,732)**	6,708

7. Income tax expense (cont'd)

7C. Deferred tax balance in the statement of financial position:

The deferred tax amounts and movements during the year are as follows:

	Group	
	2019	**2018**
	$	**$**
Deferred tax liabilities:		
Excess of net book value of plant and equipment over tax values	**58,159**	151,117
Deferred tax assets:		
Provisions	**(380,182)**	(274,465)
Tax loss carryfowards	**(120,283)**	(138,226)
Total deferred tax assets	**(442,306)**	(261,574)

	Company	
	2019	**2018**
	$	**$**
Deferred tax liabilities:		
Excess of net book value of plant and equipment over tax values	**150,554**	157,131
Deferred tax assets:		
Provisions	**(150,554)**	(157,131)
Total deferred tax liability	**–**	–

It is impracticable to estimate the amount expected to be settled or used within one year.

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses and capital allowances of $4,757,000 and $2,205,000 (2018: $4,315,000 and $2,757,000) respectively which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. These tax losses have no expiry date except for $695,000 which will expire between 2020 to 2028. Unutilised capital allowances do not have expiry dates.

For the Singapore companies, the realisation of the future income tax benefits from tax losses carry forwards and temporary differences from capital allowances is available for an unlimited future period, subject to conditions imposed by law including the retention of majority shareholders as defined.

8. Dividends

	Group and Company	
	2019	2018
	$	$
Final tax exempt dividend paid of 0.8 cents (2018: tax exempt 0.7 cents) per share in respect of the previous reporting year	**1,066,400**	933,100
Interim tax exempt dividend paid of 0.5 cents (2018: tax exempt 0.7 cents) per share in respect of current reporting year	**666,500**	933,100
Total dividends paid in the year	**1,732,900**	1,866,200

The directors have proposed that a final tax exempt dividend of 1.0 cents per share with a total of $1,333,000 be paid to shareholders after the annual general meeting to be held on 14 April 2020. There are no income tax consequences. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including the new qualifying shares issued up to the date the dividend becomes payable.

9. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares of no par value in issue during the reporting year.

	Group	
	2019	2018
The calculation of earnings per share is based on the following:		
Net profit for the year attributable to equity holders of the Company ($)	**3,843,641**	4,079,825
Weighted average number of ordinary shares on issue for basic earnings per share	**133,300,000**	133,300,000

The Company and Group do not have any discontinued operations.

There is no dilution of earnings per share as there are no dilutive potential ordinary shares outstanding as at the year end. The denominators used are the same as those detailed above for both basic and diluted earnings per share.

10. Property, plant and equipment

	Freehold land $	Freehold buildings $	Buildings on leasehold land $	Machinery and equipment $	Motor vehicles $	Computer equipment, furniture and fixtures $	Total $
Group							
Cost:							
At 1 January 2018	3,162,957	131,559	10,471,531	4,979,861	1,770,611	5,074,680	25,591,199
Currency translation differences	8,317	347	6,479	4,222	(450)	(2,047)	16,868
Additions	–	–	–	76,607	301,927	370,692	749,226
Disposals	–	–	–	(39,800)	(251,341)	(151,902)	(443,043)
At 31 December 2018	3,171,274	131,906	10,478,010	5,020,890	1,820,747	5,291,423	25,914,250
Currency translation differences	(7,281)	(302)	(4,945)	(2,420)	(5,905)	(7,157)	(28,010)
Additions	–	–	–	320,044	15,902	123,552	459,498
Disposals	–	–	–	(224,313)	(71,976)	(609,433)	(905,722)
At 31 December 2019	**3,163,993**	**131,604**	**10,473,065**	**5,114,201**	**1,758,768**	**4,798,385**	**25,440,016**
Accumulated depreciation:							
At 1 January 2018	–	110,247	3,874,550	4,729,593	1,279,825	4,740,456	14,734,671
Currency translation differences	–	254	832	3,152	(1,410)	(923)	1,905
Depreciation charge	–	2,901	341,945	114,127	195,337	254,657	908,967
Disposals	–	–	–	(39,800)	(251,341)	(151,837)	(442,978)
At 31 December 2018	–	113,402	4,217,327	4,807,072	1,222,411	4,842,353	15,202,565
Currency translation differences	–	(264)	(1,377)	(1,542)	(5,205)	(9,221)	(17,609)
Depreciation charge	–	2,863	342,009	88,074	212,348	216,320	861,614
Disposals	–	–	–	(219,113)	(71,976)	(604,410)	(895,499)
At 31 December 2019	**–**	**116,001**	**4,557,959**	**4,674,491**	**1,357,578**	**4,445,042**	**15,151,071**
Carrying value:							
At 1 January 2018	3,162,957	21,312	6,596,981	250,268	490,786	334,224	10,856,528
At 31 December 2018	3,171,274	18,504	6,260,683	213,818	598,336	449,070	10,711,685
At 31 December 2019	**3,163,993**	**15,603**	**5,915,106**	**439,710**	**401,190**	**353,343**	**10,288,945**

10. Property, plant and equipment (cont'd)

The depreciation expense is charged to profit or loss under:

	Group 2019 $	Group 2018 $
Cost of sales	**17,876**	23,278
Operating expenses	**843,738**	885,689
Total	**861,614**	908,967

	Buildings on leasehold land $	Machinery and equipment $	Motor vehicles $	Computer equipment, furniture and fixtures $	Total $
Company					
Cost:					
At 1 January 2018	3,574,468	546,545	960,889	2,917,593	7,999,495
Additions	–	–	153,586	62,683	216,269
Disposals	–	–	(59,398)	(83,504)	(142,902)
At 31 December 2018	3,574,468	546,545	1,055,077	2,896,772	8,072,862
Additions	–	177,500	–	27,042	204,542
Disposals	–	–	(71,976)	(167,228)	(239,204)
At 31 December 2019	**3,574,468**	**724,045**	**983,101**	**2,756,586**	**8,038,200**
Accumulated depreciation:					
At 1 January 2018	2,518,345	444,836	639,138	2,800,213	6,402,532
Depreciation charge	119,149	54,217	110,636	75,299	359,301
Disposals	–	–	(59,398)	(83,504)	(142,902)
At 31 December 2018	2,637,494	499,053	690,376	2,792,008	6,618,931
Depreciation charge	119,149	28,945	116,277	48,481	312,852
Disposals	–	–	(71,976)	(167,228)	(239,204)
At 31 December 2019	**2,756,643**	**527,998**	**734,677**	**2,673,261**	**6,692,579**
Carrying value:					
At 1 January 2018	1,056,123	101,709	321,751	117,380	1,596,963
At 31 December 2018	936,974	47,492	364,701	104,764	1,453,931
At 31 December 2019	**817,825**	**196,047**	**248,424**	**83,325**	**1,345,621**

11. Right-of-use assets

The right-of-use assets in the statement of financial position are as follows:

	Land $	Office premises $	Warehouse building $	Motor vehicles $	Total $
Group					
Cost:					
At 1 January 2019	2,342,679	212,147	138,793	82,438	2,776,057
Foreign exchange adjustments	–	(3,911)	(319)	1,996	(2,234)
Additions	–	368,738	–	24,027	392,765
At 31 December 2019	**2,342,679**	**576,974**	**138,474**	**108,461**	**3,166,588**
Accumulated depreciation and impairment losses:					
At 1 January 2019	–	–	–	–	–
Foreign exchange adjustments	–	(2,754)	(87)	747	(2,094)
Depreciation for the year	66,539	200,474	52,015	46,303	365,331
At 31 December 2019	**66,539**	**197,720**	**51,928**	**47,050**	**363,237**
Carrying value:					
At 1 January 2019	2,342,679	212,147	138,793	82,438	2,776,057
At 31 December 2019	**2,276,140**	**379,254**	**86,546**	**61,411**	**2,803,351**

	Land $	Total $
Company		
Cost:		
At 1 January 2019 and 31 December 2019	1,168,825	1,168,825
Accumulated depreciation and impairment losses:		
At 1 January 2019	–	–
Depreciation for the year	33,395	33,395
At 31 December 2019	**33,395**	**33,395**
Carrying value:		
At 1 January 2019	1,168,825	1,168,825
At 31 December 2019	**1,135,430**	**1,135,430**

The depreciation expense for the Group and Company is changed under other operating expenses.

11. Right-of-use assets (cont'd)

Other information about the leasing activities relating to the right-of-use assets are summarised as follows:

	Group				Company
	Land	Office premises	Warehouse building	Motor vehicles	Land
Number of right-of-use assets	2	6	1	6	1
Remaining term – range (years)	35	1-4	2	0-3	35
Remaining term – average (years)	35	2	2	2	35

Management has elected to measure right-of-use assets at the amount of the lease liability on adoption (adjusted for any lease prepayments or accrued lease expenses, onerous lease provisions, and leased assets which have subsequently been sub-leased).

The leasehold land, on which the Company's building is situated, is under a non-cancellable operating lease expiring in 2053. The annual land rent payable is subject to annual revision.

Operating lease payments for the Group are for rentals payable for certain office premises and motor vehicles.

There are restrictions or covenants imposed by the leases to sublet the asset to another party. The right-of-use asset can only be used by the lessee. Unless permitted by the owner, the lease prohibits from selling or pledging the underlying leased assets as security. Typically the leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Insurance, and maintenance fees on right-of-use assets are usually required under the lease contracts.

12. Investment property

	Group	
	2019	**2018**
	$	**$**
At cost:		
Balance at beginning of year	**138,323**	137,960
Currency translation differences	**(318)**	363
Balance at end of year	**138,005**	138,323
Accumulated depreciation:		
Balance at beginning of year	**59,158**	55,906
Depreciation charge	**3,103**	3,143
Currency translation differences	**(142)**	109
Balance at end of year	**62,119**	59,158
Carrying value:		
Balance at beginning of year	**79,165**	82,054
Balance at end of year	**75,866**	79,165

12. Investment property (cont'd)

	Group 2019 $	Group 2018 $
Fair value:		
Fair value at end of year	**316,497**	289,283
Rental and service income from investment property	**16,558**	16,774

Description / Location	Gross floor area	Tenure of land
Condominium BL 20-3, 20th Floor, Mont' Kiara Palma, Jalan 1/70C, Off Bukit Kiara, Kuala Lumpur 50480, Malaysia	129 sq m	Freehold

The fair value of the investment property was based on a valuation made by independent professional valuer, Jones Lang Wootton, in February 2020. The firm holds a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued.

The fair value was measured based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was determined on a systematic basis at least once in five years by the independent professional valuer. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

For fair value measurements categorised within the fair value hierarchy below, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Asset:	Freehold property at BL 20-3, 20th Floor, Mont' Kiara Palma, Jalan 1/70C, Off Bukit Kiara, Kuala Lumpur 50480, Malaysia
Fair value and fair value hierarchy – Level:	$316,497 (2018: $289,283). Level 2. (2018: Level 2).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs and range (weighted average):	Price per square feet $224 – $230 (2018: $213 –$225)
Relationship of unobservable inputs to fair value:	Not applicable.
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by $31,650; higher by $31,650.

The investment property was leased out for the years ended 31 December 2019 and 31 December 2018.

The direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the year are not significant.

13. Investments in subsidiaries

	Company 2019 $	Company 2018 $
Movements during the year at cost:		
Balance at beginning of year	**5,871,772**	5,284,379
Additions	**–**	587,393
Balance at end of year	**5,871,772**	5,871,772
Net book value of subsidiaries	**25,502,948**	23,783,775
Total cost comprising:		
Unquoted equity shares at cost	**7,087,972**	7,087,972
Allowance for impairment	**(1,216,200)**	(1,216,200)
Total at cost	**5,871,772**	5,871,772
The above is after the following allowance for impairment:		
Balance at beginning and end of year	**1,216,200**	1,216,200

The addition in the reporting year 2018 is due to a capital injection to subsidiary Megachem Specialty Chemicals (I) Private Limited (formerly known as MGI Chemicals Private Limited).

Details of the subsidiaries are as follows:

Name of subsidiary, principal activities, country of incorporation and place of operations	**Effective percentage of equity held by Group 2019 %**	**Effective percentage of equity held by Group 2018 %**
Held by the Company		
C.N. Chemicals Sdn. Bhd. (b)		
Trading in industrial chemicals		
Malaysia	**100**	100
Megachem Manufacturing Pte Ltd (a)		
Blending of chemicals and chemical-related products		
Singapore	**100**	100
Megachem Phils., Inc (c)		
Trading in chemicals and chemical-related products		
Philippines		
(Alas, Oplas & Co., CPA)	**90**	90

13. Investments in subsidiaries (cont'd)

Name of subsidiary, principal activities, country of incorporation and place of operations	Effective percentage of equity held by Group	
	2019	2018
	%	%
Held by the Company ***(cont'd)***		
Megachem Raya Pte Ltd (a) Trading in chemicals and chemical-related products Singapore	**74**	74
Megachem (Shanghai) Pte Ltd (a) Trading in chemicals and chemical-related products Singapore	**85**	85
Megachem (UK) Ltd (b) Trading in chemicals and chemical-related products United Kingdom	**85**	85
Megachem Middle East FZE (b) Trading in chemicals and chemical-related products U.A.E	**100**	100
Megachem Specialty Chemicals (I) Private Limited (b) (e) Trading in chemicals and chemical-related products India	**100**	100
Megachem Vietnam Company Limited (b) Trading in chemicals and chemical-related products Vietnam	**100**	100
MG Chemicals (Australia) Pty Ltd (d) Trading in chemicals and chemical-related products Australia	**100**	100
Held by subsidiaries		
Megachem International Trading (Shanghai) Co., Ltd (b) Trading in chemicals and chemical-related products People's Republic of China	**85**	85
P.T. Mega Kemiraya (b) Trading in chemicals and chemical-related products Indonesia	**74**	74

13. Investments in subsidiaries (cont'd)

(a) Audited by RSM Chio Lim LLP.

(b) Audited by member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(c) Other independent auditor. Audited by firm of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member. Their names are indicated above.

(d) Not audited as relieved from the requirement to prepare and lodge an audited financial report with the local authorities. The subsidiary is not material to the Group.

(e) 1% of the equity interest is held through a subsidiary, Megachem Manufacturing Pte Ltd.

There are no subsidiaries that have non-controlling interests that are considered material to the reporting entity.

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited, the Audit Committee and the Board of Directors of the Company have satisfied themselves that the appointment of different auditors for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

14. Investments in associated companies

	Group	
	2019	**2018**
	$	**$**
Movements in carrying value during the year:		
Balance at beginning of year	**5,760,592**	5,521,196
Currency translation differences	**435,729**	130,884
Share of profit for the year	**1,110,220**	771,491
Dividends received, net of tax	**(696,726)**	(662,979)
Balance at end of year	**6,609,815**	5,760,592
Share of net book value of associated companies	**6,609,815**	5,760,592

	Company	
	2019	**2018**
	$	**$**
Carrying value:		
Unquoted equity shares at cost	**2,798,756**	2,798,756

14. Investments in associated companies (cont'd)

Details of the associated companies are as follows:

Name of associated companies, principal activities, country of incorporation and place of operations	Effective percentage of equity held by Group	
	2019	2018
	%	%
Megachem (Thailand) Public Company Limited (a)	**36**	36
Trading in chemicals and chemical-related products		
Thailand		
(EY Office Limited)		
Held by Megachem (Thailand) Public Company Limited		
Vertis Latex Co., Limited (b)	**11**	11
Manufacturing of bedding products		
Thailand		
Megachem Plus Limited (c)		
Import and distribution of ethanol chemicals	**29**	29
Thailand		
Megachem (Myanmar) Limited (d)	**18**	18
Trading in construction material, hospital equipment, seeds and fertilizers		
Myanmar		

(a) Other independent auditor. Audited by firm of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member. The name is indicated above.

(b) Vertis Latex Co., Limited is 30% owned by Megachem (Thailand) Public Company Limited. Vertis Latex Co., Limited ceased its operations since June 2018 and had applied for liquidation on 26 December 2019.

(c) Megachem Plus Limited is 80% owned by Megachem (Thailand) Public Company Limited.

(d) Megachem (Myanmar) Limited is 51% owned by Megachem (Thailand) Public Company Limited.

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited the Audit Committee and the Board of Directors of the Company have satisfied themselves that the appointment of different auditors for its overseas associated companies would not compromise the standard and effectiveness of the audit of the Group.

In the previous reporting year ended 31 December 2018, Megachem (Thailand) Public Company Limited ("MGT") incorporated subsidiaries, Megachem Plus Limited ("MPL") and Megachem (Myanmar) Limited ("MML"). The Company, through its 36% shareholding in MGT, has an indirect interest of approximately 29% and 18% in MPL and MML respectively.

MGT is considered material to the reporting entity. The summarised financial information of MGT and its subsidiaries and the amounts (and not the reporting entity's share of those amounts) based on the financial statements of MGT and its subsidiaries are as follows. These are adjusted to reflect adjustments made by the reporting entity when using the equity method.

14. Investments in associated companies (cont'd)

	2019 $	2018 $
Dividends paid	**1,929,180**	1,835,126
Revenue	**29,892,786**	27,846,019
Profit	**3,298,511**	2,128,255
Other comprehensive loss	**(6,161)**	(15,264)
Total comprehensive income	**3,292,350**	2,112,991
Current assets	**14,207,123**	13,751,194
Non-current assets	**8,349,491**	8,135,753
Current liabilities	**(2,127,482)**	(4,263,358)
Non-current liabilities	**(678,584)**	(450,673)
Net assets of the associate	**19,750,548**	17,172,916

15. Transferable club memberships

	Group		Company	
	2019 $	2018 $	2019 $	2018 $
Transferable club memberships at cost	**77,871**	77,871	**47,071**	47,071
Currency translation differences	**(7,842)**	(7,789)	**–**	–
Less: allowance for impairment	**(43,070)**	(43,070)	**(43,070)**	(43,070)
Total transferable club memberships	**26,959**	27,012	**4,001**	4,001
Movement in allowance for impairment:				
Balance at beginning and end of year	**43,070**	43,070	**43,070**	43,070

The carrying value of club memberships is at cost less allowance for impairment. The fair value of the club memberships is deemed to be not reliably measurable as the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair values. Consequently it is carried at cost less allowance for impairment.

16. Inventories

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Finished / trading goods	**25,419,242**	26,086,640	**9,738,588**	11,333,191

Inventories are stated after allowance.

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Movements in allowance during the year:				
Balance at beginning of the year	**3,286,108**	3,634,824	**1,634,000**	1,931,000
Charge to profit or loss included in cost of sales	**401,725**	74,008	**63,890**	83,980
Used / amount written off	**(200,761)**	(429,420)	**(163,890)**	(380,980)
Currency translation differences	**(23,426)**	6,696	**–**	–
Balance at end of the year	**3,463,646**	3,286,108	**1,534,000**	1,634,000

	Group	
	2019	**2018**
	$	**$**
The write-downs of inventories charged to profit or loss included in cost of sales (Note 4)	**401,725**	74,008
Decrease/(increase) in inventories of finished/ trading goods	**667,398**	(2,171,896)
Purchase of inventories	**82,082,793**	87,997,817

Certain inventories are pledged as security for banking facilities as at 31 December 2019 and 31 December 2018 (see Note 23).

17. Trade and other receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Current :				
Trade receivables:				
Non-related parties	**22,144,845**	24,107,403	**5,662,014**	7,423,336
Subsidiaries	**–**	–	**7,175,807**	7,451,234
Associated company	**67,811**	52,826	**44,174**	29,563
Less: allowance for impairment – non-related parties	**(567,323)**	(597,590)	**(26,625)**	(14,916)
Less: allowance for impairment – subsidiaries	**–**	–	**(1,985,000)**	(1,870,000)
Net trade receivables – subtotal	**21,645,333**	23,562,639	**10,870,370**	13,019,217
Other receivables:				
Loan to subsidiaries	**–**	–	**4,172,131**	4,416,450
Subsidiaries	**–**	–	**1,716,923**	1,771,338
Associated company	**–**	404	**–**	404
Non-related parties	**1,300,491**	519,295	**–**	–
Less: allowance for impairment - subsidiaries	**–**	–	**(2,055,000)**	(1,270,000)
Net other receivables – subtotal	**1,300,491**	519,699	**3,834,054**	4,918,192
Total net trade and other receivables - current	**22,945,824**	24,082,338	**14,704,424**	17,937,409
Non-current:				
Other receivables				
Loan to subsidiaries	**–**	–	**808,080**	–
Total other receivables – non-current	**–**	–	**808,080**	–
Total trade and other receivables	**22,945,824**	24,082,338	**15,512,504**	17,937,409

The non-trade amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

The loans to subsidiaries are unsecured, bear interest at 2.9% – 4.8% (2018: 3.5% – 5.0%) per annum and are repayable on demand.

17. Trade and other receivables (cont'd)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Singapore Dollar	**4,773,920**	5,522,936	**5,725,035**	6,705,806
United States Dollar	**2,724,748**	3,995,401	**8,963,890**	10,147,718
Malaysia Ringgit	**3,422,091**	3,046,750	**–**	–
China Renminbi	**3,212,583**	2,713,891	**–**	–
Indonesia Rupiah	**2,011,261**	2,106,798	**–**	–
Sterling Pound	**1,778,274**	1,051,337	**322,240**	433,125
Vietnamese Dong	**1,495,361**	1,062,932	**–**	–
Others	**3,527,586**	4,582,293	**501,339**	650,760
Total trade and other receivables	**22,945,824**	24,082,338	**15,512,204**	17,937,409

The trade receivables are subject to the expected credit loss model (ECL) under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates (over a period of 60 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates.

At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined as follows:

Group 2019	Expected loss ratio %	Gross amount $'000	Loss allowance $'000
Current	–	17,036	–
Past due less than 1 month	–	3,243	–
Past due 1 to 2 months	–	806	–
Past due 2 to 3 months	–	350	–
Past due 3 to 4 months	–	124	–
Past due 4 to 6 months	3.56%	71	2
Past due over 6 months, invoice aged less than 1 year	56.67%	41	23
Past due over 6 months, invoice aged over 1 year	100%	542	542
Total		22,213	567

17. Trade and other receivables (cont'd)

Group 2018	**Expected loss ratio %**	**Gross amount $'000**	**Loss allowance $'000**
Current	–	16,621	–
Past due less than 1 month	–	3,898	–
Past due 1 to 2 months	–	1,808	–
Past due 2 to 3 months	–	503	–
Past due 3 to 4 months	–	381	–
Past due 4 to 6 months	2.29%	239	5
Past due over 6 months, invoice aged less than 1 year	34.08%	179	61
Past due over 6 months, invoice aged over 1 year	100%	532	532
Total		24,161	598

No allowance matrix is deemed necessary for the Company. There are no collateral held as security and other credit enhancements for the trade receivables held by the Group and Company.

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period.

The other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. Other receivables are normally with no fixed terms and therefore there is no maturity. Related company receivables are regarded as of low credit risk if they are guaranteed with the ability to settle the amount. Other receivables are regarded as of low credit risk if they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

(i) Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

The Group's and Company's non-related party trade receivables not past due include receivables amounting to $16,987,000 (2018: $16,568,000) and $4,373,000 (2018: $4,983,000) respectively.

17. Trade and other receivables (cont'd)

(ii) Trade receivables that are past due and / or impaired

The age analysis of non-related party trade receivables past due but not impaired is as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Past due less than 1 month	**3,243**	3,898	**985**	1,515
Past due 1 to 2 months	**788**	1,808	**149**	663
Past due 2 to 3 months	**350**	503	**109**	163
Past due 3 to 4 months	**124**	381	**20**	51
Past due over 4 months	**86**	352	**–**	33
Total	**4,591**	6,942	**1,263**	2,425

The carrying amount of non-related party trade receivables determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Gross amount	**567**	598	**27**	15
Less: allowance for impairment	**(567)**	(598)	**(27)**	(15)
Total	**–**	–	**–**	–
Movements in allowance for impairment during the year:				
Balance at beginning of year	**598**	2,546	**15**	30
Currency translation differences	**(14)**	(13)	**–**	–
Additions – Individually impaired (Note 4)	**96**	272	**12**	15
Additions – Collectively impaired (Note 4)	**–**	66	**–**	–
Bad debt written off	**(30)**	(2,160)	**–**	–
Bad debt recovered – Individually impaired	**(43)**	(113)	**–**	(30)
Bad debt recovered – Collectively impaired	**(40)**	–	**–**	–
Balance at end of year	**567**	598	**27**	15

17. Trade and other receivables (cont'd)

(ii) Trade receivables that are past due and / or impaired (cont'd)

The carrying amount of related party trade and other receivables determined to be impaired and the movement in the related allowance for impairment are as follows:

	Company	
	2019	**2018**
	$'000	**$'000**
Gross amount	**4,040**	3,140
Less: allowance for impairment	**(4,040)**	(3,140)
Total	**–**	–
Movements in allowance for impairment during the year:		
Balance at beginning of year	**3,140**	2,610
Additions – Individually impaired	**990**	530
Bad debt recovered	**(90)**	–
Balance at end of year	**4,040**	3,140

(iii) Concentration of credit risk

The number of debtors that individually represented 5-10% of non-related party trade receivables are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Number of debtors that represent:				
5-10% of non-related party trade receivables	**–**	–	**1**	1

There is no concentration of credit risk with respect to trade receivables as there are a large number of customers.

17. Trade and other receivables (cont'd)

(iv) Credit risk exposure

The credit risk for non-related party trade receivables by countries is as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
By geographical areas				
America	**104**	33	**22**	16
ASEAN	**13,312**	14,374	**5,527**	7,354
Australia	**849**	745	**–**	–
Middle East	**1,940**	2,710	**–**	–
North Asia	**3,075**	3,791	**17**	16
South Asia	**1,251**	1,339	**96**	37
UK and Europe	**1,614**	1,115	**–**	–
Total non-related party trade receivables	**22,145**	24,107	**5,662**	7,423

18. Financial assets at fair value through profit or loss

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Balance at beginning of year	**383,606**	581,533	**340,145**	580,000
Realisation of forward contracts	**(43,750)**	(1,533)	**(145)**	–
Currency translation differences	**215**	(1,717)	**–**	–
Fair value gains on forward foreign exchange contracts (Note 3)	**4,919**	45,323	**–**	145
Fair value loss on listed equity securities (Note 4)	**(117,500)**	(240,000)	**(117,500)**	(240,000)
Balance at end of year	**227,490**	383,606	**222,500**	340,145
At fair value:				
Listed equity securities – Singapore (Level 1)	**222,500**	340,000	**222,500**	340,000
Forward foreign exchange contracts (Level 2)	**4,990**	43,606	**–**	145
Total financial assets at fair value through profit or loss	**227,490**	383,606	**222,500**	340,145

19. Other current assets

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Advance payments to suppliers	**1,482,326**	1,244,069	**245,386**	133,563
Deposits to secure services	**205,777**	215,802	**4,440**	4,380
Prepayments	**756,233**	658,212	**84,557**	74,143
Total other current assets	**2,444,336**	2,118,083	**334,383**	212,086

20. Cash and cash equivalents

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Not restricted in use	**14,880,406**	12,199,484	**1,934,510**	1,669,521
Interest earning balances	**6,542,432**	4,827,090	**–**	–

Cash and cash equivalents are denominated in the following currencies:

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Singapore Dollar	**1,425,490**	887,745	**1,282,686**	763,695
United States Dollar	**3,530,688**	3,448,448	**625,699**	845,444
Malaysia Ringgit	**5,875,999**	4,703,049	**–**	–
Indonesia Rupiah	**1,141,410**	1,675,223	**–**	–
China Renminbi	**861,857**	135,541	**–**	–
Sterling Pound	**66,031**	84,389	**–**	–
Others	**1,978,931**	1,265,089	**26,125**	60,382
Total cash and bank balances	**14,880,406**	12,199,484	**1,934,510**	1,669,521

20. Cash and cash equivalents (cont'd)

Interest earning balances have an average maturity of two months (2018: one month) from the end of the reporting year with the following average interest rates:

	Group	
	2019	**2018**
Singapore Dollar	–	2.2%
United States Dollar	**1.5%**	–
Malaysia Ringgit	**3.3%**	3.9%
Indonesia Rupiah	**5.8%**	5.6%
India Rupee	**7.3%**	10.0%

20A. Cash and cash equivalents in the statement of cash flows:

	Group	
	2019	**2018**
	$	**$**
Amounts as shown above	**14,880,406**	12,199,484
Cash and cash equivalents for statement of cash flows purposes at end of the year	**14,880,406**	12,199,484

21. Share capital

	Group and Company	
	Number of shares issued	**Share capital**
		$
Ordinary shares of no par value:		
Balance at 1 January 2018, 31 December 2018 and 31 December 2019	133,300,000	15,892,028

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The Company is not subject to any externally imposed capital requirements.

In order to maintain its listing on the Singapore Stock Exchange it has to have share capital with a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

The Company is a Catalist company and had appointed a sponsor to comply with the Catalist Rules and to facilitate certain corporate actions including rights issues, placement of shares, warrants or other convertible securities for cash, major transactions, transactions requiring shareholders' approval and schemes of arrangement.

22. Other reserves

	Group	
	2019	2018
	$	$
Currency translation reserve	**(3,852,217)**	(4,219,180)

The currency translation reserve accumulates all foreign exchange differences arising from the translation of financial statements denominated in currencies other than the presentation currency.

This reserve is not available for cash dividends unless realised.

Movements in currency translation reserve during the year:

	Group	
	2019	2018
	$	$
Balance at beginning of year	**(4,219,180)**	(4,548,918)
Net currency translation differences of financial statements of foreign subsidiaries	**366,963**	329,738
Balance at end of year	**(3,852,217)**	(4,219,180)

23. Borrowings

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Current:				
Bill payables (unsecured)	**5,306,406**	8,952,788	**4,413,607**	7,708,755
Bill payables (secured)	**2,224,298**	711,764	**–**	–
Short term bank loans (unsecured)	**6,781,778**	6,410,550	**4,760,630**	3,760,000
Short term bank loans (secured)	**2,811,369**	1,304,230	**–**	–
Long term bank loans (secured)	**440,782**	816,820	**–**	–
Current, total	**17,564,633**	18,196,152	**9,174,237**	11,468,755
Non-current:				
Long term bank loans (secured)	**864,534**	1,309,229	**–**	–
Non-current, total	**864,534**	1,309,229	**–**	–
Total borrowings	**18,429,167**	19,505,381	**9,174,237**	11,468,755

23. Borrowings (cont'd)

The secured long term bank loans as at 31 December 2019 and 31 December 2018 are secured by way of mortgage over property located at 11 Tuas Link 1 Singapore 638588 and industrial land at Seri Alam Industrial Park, Sungai Kapar, Indah, Klang, Selangor.

The secured bill payables and short term bank loans as at 31 December 2019 and 31 December 2018 are collateralized on fixed and floating charges over all the assets and undertaking of certain subsidiaries, including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future.

(a) Maturity of borrowings

The bill payables and short term bank loans have an average maturity of 2 months (2018: 2 months) from the end of the reporting year. The long term bank loans have an average maturity of 4 years from the end of the reporting year (2018: 4 years).

(b) Currency of borrowings

Borrowings are denominated in the following currencies:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Singapore Dollar	**5,587,927**	5,873,748	**3,410,132**	3,029,293
United States Dollar	**7,215,883**	8,708,235	**4,797,674**	7,236,650
Malaysia Ringgit	**1,027,521**	1,181,594	**–**	–
China Renminbi	**2,293,350**	1,304,230	**–**	–
Sterling Pound	**1,355,423**	1,105,988	**441,575**	433,125
Others	**949,063**	1,331,586	**524,856**	769,687
Total borrowings	**18,429,167**	19,505,381	**9,174,237**	11,468,755

(c) Interest rate

All borrowings are at floating interest rates.

The weighted average effective interest rates of borrowings at the reporting date are as follows:

Group

		2019			2018	
	SGD	**USD**	**Others**	**SGD**	**USD**	**Others**
Bills payables	**3.0%**	**3.4%**	**3.2%**	3.1%	4.0%	2.5%
Short term bank loans	**3.3%**	**3.2%**	**4.4%**	3.3%	4.1%	4.4%
Long term bank loans	**3.0%**	**–**	**6.7%**	2.9%	–	6.9%

23. Borrowings (cont'd)

(c) Interest rate (cont'd)

Company

	2019			2018		
	SGD	USD	Others	SGD	USD	Others
Bills payables	**3.0%**	**3.2%**	**1.2%**	3.1%	3.9%	1.0%
Short term bank loans	**3.2%**	**3.2%**	**2.2%**	3.3%	4.1%	2.6%

(d) Carrying amounts and fair values

The fair value (Level 2) of bank borrowings is a reasonable approximation of the carrying amount as they are floating rate instruments that are frequently re-priced to market interest rates.

24. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Trade payables:				
Non-related parties	**6,933,790**	6,553,435	**2,347,133**	1,959,585
Associated company	**7,483**	14,483	**3,496**	1,921
Subsidiaries	**–**	–	**337,637**	269,272
Trade payables – subtotal	**6,941,273**	6,567,918	**2,688,266**	2,230,778
Other payables:				
Associated company	**3,719**	10,505	**870**	7,618
Subsidiaries	**–**	–	**71,939**	37,968
Due to a director	**–**	79,360	**–**	–
Advance payments from customers	**165,605**	84,380	**–**	–
Advance payments from subsidiary	**–**	–	**670,683**	1,300,339
Accrued liabilities	**3,428,691**	3,671,731	**1,430,917**	1,817,244
Other payables	**1,602,726**	1,622,330	**691,964**	818,241
Other payables – subtotal	**5,200,741**	5,468,306	**2,866,373**	3,981,410
Total trade and other payables	**12,142,014**	12,036,224	**5,554,639**	6,212,188

The non-trade amounts due to subsidiaries, associated company and a director are unsecured, interest-free and are repayable on demand.

24. Trade and other payables (cont'd)

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Singapore Dollar	**3,272,249**	3,669,222	**2,477,588**	3,007,590
United States Dollar	**4,687,368**	2,980,875	**2,651,855**	2,887,391
China Renminbi	**815,213**	1,168,255	**–**	–
Sterling Pound	**751,301**	1,528,774	**64,473**	72,298
Malaysia Ringgit	**306,876**	328,053	**–**	–
Others	**2,309,007**	2,361,045	**360,723**	244,909
Total trade and other payables	**12,142,014**	12,036,224	**5,554,639**	6,212,188

25. Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Lease liabilities, current	**282,727**	–	**13,279**	–
Lease liabilities, non-current	**2,572,232**	–	**1,142,914**	–
	2,854,959	–	**1,156,193**	–

Movements of lease liabilities for the reporting year are as follows:

	Group	Company
	$	**$**
Total lease liabilities recognised at 1 January 2019	**2,776,057**	**1,168,825**
Additions	**392,766**	**–**
Accretion of interest (Note 5)	**143,158**	**57,861**
Lease payments	**(456,804)**	**(70,493)**
Foreign exchange adjustments	**(218)**	**–**
Total lease liabilities at end of reporting year	**2,854,959**	**1,156,193**

The new standard on leases has been applied using the modified retrospective transition approach. Therefore no comparative amounts for the year ended 31 December 2018 are presented.

25. Lease liabilities (cont'd)

The lease liability above does not include the short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liability and the right-of-use assets. The right-of-use assets are disclosed in Note 11.

Only variable lease payments that depend on an index or a rate; payments that vary to reflect changes in market rental rates are included in the measurement of the lease liability. Such variable amounts that are unpaid at the commencement date are included in the measurement of lease liability. Variable lease payments would also include extension options and termination options; residual value guarantees; and leases not yet commenced to which the lessee is committed. The variable lease payments based on revenue are recognised in profit or loss in the year in which the condition that triggers those payments occurs.

On transition to the new standard on leases the weighted average incremental borrowing rate applied to lease liabilities recognised was in the range of 3% to 10% per year. The finance leases, the right-of-use asset and lease liability before the date of initial application are measured at the same amounts as under the new standard.

Reconciliation of lease commitments and lease liability at the date of initial application:

	Group $	Company $
Operating lease commitments as at 31 December 2018	5,409,572	2,396,772
Other minor adjustments	13,703	70,493
Subtotal - Operating lease liabilities before discounting	5,423,275	2,467,265
Discounted using incremental borrowing rate	(2,647,218)	(1,298,440)
Operating lease liabilities recognised at 1 January 2019	2,776,057	1,168,825

A summary of the maturity analysis of lease liabilities that shows the remaining contractual maturities is as follows:

		Group	
2019	Minimum payments $	Finance charges $	Present value $
Minimum lease payments payable:			
Not later than one year	**419,315**	**(136,588)**	**282,727**
Later than one year and not later than five years	**860,176**	**(460,045)**	**400,131**
Later than five years	**4,117,892**	**(1,945,791)**	**2,172,101**
Total	**5,397,383**	**(2,542,424)**	**2,854,959**

25. Lease liabilities (cont'd)

		Company	
2019	Minimum payments	Finance charges	Present value
	$	$	$
Minimum lease payments payable:			
Not later than one year	**70,493**	**(57,214)**	**13,279**
Later than one year and not later than five years	**281,973**	**(221,707)**	**60,266**
Later than five years	**2,044,306**	**(961,658)**	**1,082,648**
Total	**2,396,772**	**(1,240,579)**	**1,156,193**

Total cash outflows for leases for the year ended 31 December 2019 are shown in the statement of cash flows.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

There were no future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities above.

At reporting year date there were no commitments on leases which had not yet commenced.

Apart from the disclosures made in other notes to the financial statements, amounts relating to leases include the following:

	Group	Company
	$	$
Expense relating to short-term and leases of low-value assets included in other expenses	168,035	336,360

The total for lease liabilities and the average effective borrowing rate per year is disclosed above. The fair value (Level 2) is a reasonable approximation of the carrying amount. The fair value of the finance leases was estimated by discounting the future cash flows payable under the terms of the finance leases using the year-end interest rate ranging between 3.0% to 10.0% applicable to similar finance leases (Level 3).

26. Financial liabilities at fair value through profit or loss

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Forward foreign exchange contracts				
Balance at beginning of year	**13,306**	16,762	**3,023**	–
Realisation of forward contracts	**(13,340)**	(16,757)	**(3,023)**	–
Currency translation differences	**841**	(411)	**–**	–
Fair value loss (Note 4)	**50,010**	13,712	**–**	3,023
Balance at end of year	**50,817**	13,306	**–**	3,023

Forward foreign exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates on expected sales and purchases denominated in United States Dollar ("USD"), Euro ("Euro") or Japanese Yen ("JPY").

The table below sets out the notional principal amounts of the outstanding forward foreign exchange contracts of the Group and the Company, and their corresponding favourable and unfavourable fair values (Level 2) at the reporting date. The amount of notional amount outstanding is not necessarily a measure or indication of market risk.

	Notional principal 2019 $	Notional principal 2018 $	Favourable fair value 2019 $	Favourable fair value 2018 $	Unfavourable fair value 2019 $	Unfavourable fair value 2018 $
Group						
Sell Euro	**188,484**	772,283	**4,488**	1,975	**–**	3,817
Sell USD	**–**	391,482	**–**	2,440	**–**	229
Purchase Euro	**143,248**	370,896	**–**	3,144	**1,920**	–
Purchase JPY	**204,518**	–	**502**	–	**–**	–
Purchase USD	**1,687,125**	4,073,768	**–**	36,047	**48,897**	9,260
	2,223,375	5,608,429	**4,990**	43,606	**50,817**	13,306

	Notional principal 2019 $	Notional principal 2018 $	Favourable fair value 2019 $	Favourable fair value 2018 $	Unfavourable fair value 2019 $	Unfavourable fair value 2018 $
Company						
Purchase USD	**–**	494,576	**–**	145	**–**	3,023

The fair value (Level 2) of forward foreign exchange contracts is based on the current value of the difference between the contractual exchange rate and the market rate at the end of the reporting year. The valuation technique uses market observable inputs.

At 31 December 2019, the settlement date on forward foreign exchange contracts ranges from 1 to 7 months (2018: 1 to 9 months) for the Group. There were no forward foreign exchange contracts as at year end for the Company.

27. Financial instruments: information on financial risks

27A. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Management sets the objectives and underlying principles of financial risk management for the Group. This includes establishing policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies in accordance with the objectives and underlying principles approved by the Board of Directors.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

27B. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Financial assets at amortised cost	**37,826**	36,281	**17,447**	19,607
Financial assets at fair value through profit or loss	**228**	384	**223**	340
At end of the year	**38,054**	36,665	**17,670**	19,947
Financial liabilities				
Financial liabilities at amortised cost	**33,260**	31,457	**15,214**	16,381
Financial liabilities at fair value through profit or loss	**51**	13	**–**	3
At end of the year	**33,311**	31,470	**15,214**	16,384

Further quantitative disclosures are included throughout these financial statements.

27. Financial instruments: information on financial risks (cont'd)

27C. Foreign currency risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to United States Dollar ("USD"), Sterling Pound ("GBP"), Malaysia Ringgit ("RM") and Euro Dollar ("Euro").

The Company has certain investments in foreign operations, whose net assets are exposed to currency translation risk. The Company does not hedge such currency translation risk.

The Group's currency exposure is as follows:

	Exposure in					
	SGD	**USD**	**GBP**	**RM**	**Others**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
As at 31 December 2019						
Financial assets						
Cash and bank balances	**1,425**	**3,531**	**66**	**5,876**	**3,982**	**14,880**
Trade and other receivables	**6,897**	**14,414**	**2,182**	**3,422**	**12,606**	**39,521**
Subtotal	**8,322**	**17,945**	**2,248**	**9,298**	**16,588**	**54,401**
Financial liabilities						
Trade and other payables	**5,368**	**16,234**	**1,154**	**304**	**4,924**	**27,984**
Borrowings	**5,588**	**7,216**	**1,355**	**1,028**	**3,242**	**18,429**
Lease liabilities	**2,318**	**–**	**237**	**90**	**210**	**2,855**
Subtotal	**13,274**	**23,450**	**2,746**	**1,422**	**8,376**	**49,268**
Net financial assets/(liabilities)	**(4,952)**	**(5,505)**	**(498)**	**7,876**	**8,212**	**5,133**
Less: Net financial (assets) / liabilities denominated in respective entities' functional currencies	**4,149**	**963**	**286**	**(7,876)**	**(5,175)**	**(7,653)**
Less: Currency forwards	**–**	**1,687**	**–**	**–**	**159**	**1,846**
Net currency exposure	**(803)**	**(2,855)**	**(212)**	**–**	**3,196**	**(674)**

27. Financial instruments: information on financial risks (cont'd)

27C. Foreign currency risk (cont'd)

	Exposure in					
	SGD	**USD**	**GBP**	**RM**	**Others**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
As at 31 December 2018						
Financial assets						
Cash and bank balances	888	3,448	84	4,703	3,076	12,199
Trade and other receivables	7,753	15,362	1,773	3,047	13,006	40,941
Subtotal	8,641	18,810	1,857	7,750	16,082	53,140
Financial liabilities						
Trade and other payables	5,883	14,291	2,242	327	5,469	28,212
Borrowings	5,874	8,708	1,106	1,181	2,636	19,505
Subtotal	11,757	22,999	3,348	1,508	8,105	47,717
Net financial assets/(liabilities)	(3,116)	(4,189)	(1,491)	6,242	7,977	5,423
Less: Net financial (assets) / liabilities denominated in respective entities' functional currencies	3,116	1,466	1,045	(6,242)	(5,789)	(6,404)
Less: Currency forwards	–	3,682	–	–	(401)	3,281
Net currency exposure	–	959	(446)	–	1,787	2,300

27. Financial instruments: information on financial risks (cont'd)

27C. Foreign currency risk (cont'd)

The Company's currency exposure is as follows:

	USD	Exposure in Others	Total
	$'000	**$'000**	**$'000**
As at 31 December 2019			
Financial assets			
Cash and bank balances	**626**	**26**	**652**
Trade and other receivables	**11,682**	**2,145**	**13,827**
Subtotal	**12,308**	**2,171**	**14,479**
Financial liabilities			
Trade and other payables	**1,981**	**426**	**2,407**
Borrowings	**4,798**	**966**	**5,764**
Subtotal	**6,779**	**1,392**	**8,171**
Net financial assets	**5,529**	**779**	**6,308**
Less: Currency forwards	**–**	**–**	**–**
Net currency exposure	**5,529**	**779**	**6,308**

	USD	Exposure in Others	Total
	$'000	**$'000**	**$'000**
As at 31 December 2018			
Financial assets			
Cash and bank balances	845	60	905
Trade and other receivables	12,018	2,353	14,371
Subtotal	12,863	2,413	15,276
Financial liabilities			
Trade and other payables	1,587	317	1,904
Borrowings	7,237	1,203	8,440
Subtotal	8,824	1,520	10,344
Net financial assets	4,039	893	4,932
Less: Currency forwards	495	–	495
Net currency exposure	4,534	893	5,427

27. Financial instruments: information on financial risks (cont'd)

27C. Foreign currency risk (cont'd)

The following table demonstrates the sensitivity of the Group's and Company's net profit after tax and equity to changes in foreign currency movement (assuming all other variables are consistent):

	2019		2018	
	Increase / (Decrease)			
	Profit after tax $'000	Equity $'000	Profit after tax $'000	Equity $'000
Group				
USD: strengthen by 1%	**(12)**	**(16)**	36	26
USD: weaken by 1%	**12**	**16**	(36)	(26)
Company				
USD: strengthen by 1%	**46**	**46**	38	38
USD : weaken by 1%	**(46)**	**(46)**	(38)	(38)

The above table shows sensitivity to the hypothetical percentage variations in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out without taking into consideration hedged transactions.

27D. Equity price risk

The Group is exposed to equity security market risk because of the investments held by the Group which are classified as financial assets at fair value through profit or loss. These investments are listed on the Stock Exchange of Singapore.

Such investments are exposed to both currency risk and market price risk arising from uncertainties about future values of the equity shares.

The effect on post tax profit is not significant.

27. Financial instruments: information on financial risks (cont'd)

27E. Interest rate risk

The floating rate debt instruments are with interest rates that are re-set regular intervals. The interest rates are disclosed in the respective notes.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from bills payable to banks and short term bank loans at floating interest rates. The Group manages its interest rate risk by keeping bills payable and short term bank loans to the minimum required to sustain the operations of the Group.

The following table demonstrates the sensitivity of the Group's and Company's net profit after tax and equity to changes in interest rates movement (assuming all other variables are consistent):

	2019		**2018**	
	Increase / (Decrease)			
	Profit after tax $'000	**Equity $'000**	**Profit after tax $'000**	**Equity $'000**
Group				
Increased by 1-percentage point	**(149)**	**(143)**	(162)	(159)
Decreased by 1-percentage point	**149**	**143**	162	159
Company				
Increased by 1-percentage point	**(76)**	**(76)**	(95)	(95)
Decreased by 1-percentage point	**76**	**76**	95	95

27F. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (ECL) on financial assets, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 20 discloses the maturity of the cash and cash equivalents balances. Bank deposits that are neither past due nor impaired are mainly deposits with reputable banks. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss

As the Group and 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 for corporate guarantees provided to banks (Note 28).

27. Financial instruments: information on financial risks (cont'd)

27G. Liquidity risk – financial liabilities maturity analysis

The following table analyses the Group's and the Company's non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

Group	Less than 1 year	1-5 years	More than 5 years	Total
	$'000	$'000	$'000	$'000
As at 31 December 2019				
Trade and other payables	**11,976**	**–**	**–**	**11,976**
Gross borrowing commitments	**17,717**	**909**	**96**	**18,722**
Gross lease liabilities	**419**	**860**	**4,118**	**5,397**
	30,112	**1,769**	**4,214**	**36,095**
As at 31 December 2018				
Trade and other payables	11,952	–	–	11,952
Gross borrowing commitments	18,426	1,191	323	19,940
	30,378	1,191	323	31,892

Company	Less than 1 year	1-5 years	More than 5 years	Total
	$'000	$'000	$'000	$'000
As at 31 December 2019				
Trade and other payables	**4,884**	**–**	**–**	**4,884**
Gross borrowing commitments	**9,224**	**–**	**–**	**9,224**
Gross lease liabilities	**70**	**282**	**2,045**	**2,397**
	14,178	**282**	**2,045**	**16,505**
As at 31 December 2018				
Trade and other payables	4,912	–	–	4,912
Gross borrowing commitments	11,562	–	–	11,562
	16,474	–	–	16,474

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 60 days (2018: 60 days). The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

27. Financial instruments: information on financial risks (cont'd)

27G. Liquidity risk – financial liabilities maturity analysis (cont'd)

The following table analyses the Group's derivative financial instruments for which contractual maturities are essential for understanding of the timing of cash flows by remaining contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Group	
	2019	**2018**
	$'000	**$'000**
Gross settled currency forwards		
- Receipts	**2,228**	5,598
- Payments	**(2,274)**	(5,511)

Financial guarantee contracts – At the end of the reporting year, no claims on the financial guarantee are expected. All the corporate guarantees provided are disclosed in Note 28. The underlying bank facilities mature within 4 years (2018: 4 years).

The Group and Company manage the liquidity risk by maintaining sufficient cash balances and the availability of funding through an adequate amount of committed credit facilities.

27H. Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue its business operations as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value.

In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or reduce borrowings.

Under loans granted by a bank to a subsidiary, the Company is required by bank to observe certain financial covenants such as a minimum consolidated tangible networth of $30 million and a maximum consolidated leverage ratio of 1.0. The Company monitors its capital regularly to ensure these covenants are not breached. In addition, the Group seeks to maintain maximum gearing ratio of 0.5 internally to minimise financial risks.

The bank defines leverage ratio as total bank borrowings liabilities divided by total tangible networth and shareholders' networth as aggregate of paid up capital and revenue reserves.

	Group		Company	
	2019	**2018**	**2019**	**2018**
Total borrowings ($'000)	**18,429**	19,505	**9,174**	11,469
Total tangible networth ($'000)	**49,636**	47,159	**22,922**	23,888
Leverage ratio	**0.37**	0.41	**0.40**	0.48

The Group and the Company are in compliance with all externally imposed capital requirements for the reporting years ended 31 December 2019 and 31 December 2018.

27. Financial instruments: information on financial risks (cont'd)

27I. Fair value measurements recognised in the statement of financial position

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

The quantitative disclosures for the fair value measurements are disclosed below:

Group	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 31 December 2019				
Financial assets at fair value through profit or loss:				
Forward foreign currency contracts	**–**	**5**	**–**	**5**
Quoted equity shares in corporations	**223**	**–**	**–**	**223**
Total	**223**	**5**	**–**	**228**
Financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	**–**	**51**	**–**	**51**
Total	**–**	**51**	**–**	**51**

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 31 December 2018				
Financial assets at fair value through profit or loss:				
Forward foreign currency contracts	–	44	–	44
Quoted equity shares in corporations	340	–	–	340
Total	340	44	–	384
Financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	–	13	–	13
Total	–	13	–	13

27. Financial instruments: information on financial risks (cont'd)

27I. Fair value measurements recognised in the statement of financial position (cont'd)

Company	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 31 December 2019				
Financial assets at fair value through profit or loss:				
Quoted equity shares in corporations	**223**	**–**	**–**	**223**
Total	**223**	**–**	**–**	**223**
Financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	**–**	**–**	**–**	**–**
Total	**–**	**–**	**–**	**–**

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 31 December 2018				
Financial assets at fair value through profit or loss:				
Quoted equity shares in corporations	340	–	–	340
Total	340	–	–	340
Financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	–	3	–	3
Total	–	3	–	3

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

28. Contingent liabilities

The Company has provided an undertaking to provide continuing financial support to subsidiaries, MG Chemicals (Australia) Pty Ltd, Megachem Middle East FZE and Megachem Speciality Chemicals (I) Private Limited, to enable the subsidiaries to meet their obligations as and when they fall due. As at 31 December 2019, the net liabilities of MG Chemicals (Australia) Pty Ltd, Megachem Middle East FZE and Megachem Speciality Chemicals (I) Private Limited amounted to $2,949,000 (2018: $2,586,000), $607,000 (2018: $476,000) and $101,000 (2018: net assets $101,000) respectively.

The Company has also provided corporate guarantees to banks for subsidiaries' loans. The corporate guarantees are as follows:

	Company	
	2019 $'000	2018 $'000
Corporate guarantees provided to banks on subsidiaries' loans payable	**9,255**	8,037

29. Capital commitments

At the reporting date the capital commitments are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Purchase of plant and equipment	**172,234**	184,141	**–**	–

30. Related party relationships and transactions

30A. Related companies and related parties

SFRS(I) 1-24 defines a related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence or for which significant voting power in such entity resides with, directly or indirectly, any such individual. The definition includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

Related companies in these financial statements include the members of the Company's group of companies.

There are transactions and arrangements between the reporting entity and members of the Group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any significant non-current balances and significant financial guarantees, an interest or charge is charged or imputed unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, significant transactions took place between the Group and related parties during the reporting year:

	Group	
	2019	**2018**
	$	**$**
Associated companies		
Sale of inventories	**533,692**	831,185
Purchases of inventories	**(68,506)**	(290,543)
Related parties		
Sale of inventories (a)	**–**	77,644
Purchases of inventories (a) (b)	**(134,725)**	(58,650)

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

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

30. Related party relationships and transactions (cont'd)

30B. Compensation of directors and key management:

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Salaries and other short-term employee benefits of key management	**4,796,855**	4,847,403	**2,760,572**	2,833,916
Remuneration of directors of the Company	**1,353,072**	1,443,202	**1,353,072**	1,443,202
Fees to directors of the Company	**146,000**	146,000	**146,000**	146,000

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

31. Financial information by segments

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by SFRS (I) 8 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the Group.

Management has determined the operating segments based on the reports reviewed by the Executive Committee ("Exco") that are used to make strategic decisions. The Exco comprises the Managing Director, the Executive Director, the Group General Manager, the Chief Financial Officer and the Group Finance Manager.

The Exco considers the business from geographic segment perspective. The Group operates in six main geographical segments (Singapore, Malaysia, Indonesia, United Kingdom, China and Vietnam) by location of revenue and assets. Other geographical areas mainly comprise the Philippines, Middle East, India and Australia, none of which constitute a separately, reportable segment. All geographic locations are engaged in the trading in chemical and chemical-related products. In addition, the segment in Singapore also derives revenue from blending.

As the revenue and assets for blending becomes a significant portion of the Singapore segment, the Exco considers it beneficial to review it as a separate business segment from the distribution activities of the Group.

The Exco assesses the performance of the operating segments based on net profit before tax.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

There are no customers with revenue transactions of over 10% of the Group revenue.

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

31. Financial information by segments (cont'd)

Profit or loss and reconciliations for geographical segments

	Singapore $'000	Malaysia $'000	Indonesia $'000	United Kingdom $'000	China S$'000	Vietnam S$'000	Others $'000	Unallocated $'000	Group $'000
Financial year ended 31 December 2019									
Sales									
Total sales by segment	54,002	14,622	8,662	14,478	16,111	6,981	14,085	–	128,941
Inter-segment sales	(8,795)	(428)	(162)	(2,352)	(3,328)	(27)	(64)	–	(15,156)
	45,207	14,194	8,500	12,126	12,783	6,954	14,021	–	113,785
Segment result	1,666	1,427	416	157	379	995	(352)	–	4,688
Interest income – banks								185	185
Finance costs								(1,016)	(1,016)
Share of profit of associated companies								1,110	1,110
Profit before income tax								279	4,967
Income tax expense								(985)	(985)
Net profit	1,666	1,427	416	157	379	995	(352)	(706)	3,982
Other segment items									
Capital expenditure	361	21	47	2	1	2	26	–	460
Depreciation	560	106	82	14	24	21	58	–	865

31. Financial information by segments (cont'd)

Assets and liabilities and reconciliations for geographical segments

	Singapore	Malaysia	Indonesia	United Kingdom	China	Vietnam	Others	Unallocated	Group
	$'000	$'000	$'000	$'000	S$'000	S$'000	$'000	$'000	$'000
Financial year ended 31 December 2019									
Segment assets	28,033	12,373	6,747	5,681	6,319	4,054	9,363	–	72,570
Associated companies								6,610	6,610
Deferred tax assets								442	442
Interest earning cash balances								6,543	6,543
Consolidated total assets	28,033	12,373	6,747	5,681	6,319	4,054	9,363	13,595	86,165
Segment liabilities	(7,999)	(735)	(746)	(2,878)	(977)	(503)	(1,210)	–	(15,048)
Borrowings								(18,429)	(18,429)
Current income tax liabilities								(242)	(242)
Consolidated total liabilities	(7,999)	(735)	(746)	(2,878)	(977)	(503)	(1,210)	(18,671)	(33,719)

31. Financial information by segments (cont'd)

Profit or loss and reconciliations for geographical segments

	Singapore $'000	Malaysia $'000	Indonesia $'000	United Kingdom $'000	China S$'000	Vietnam S$'000	Others $'000	Unallocated $'000	Group $'000
Financial year ended 31 December 2018									
Sales									
Total sales by segment	54,598	14,585	9,922	17,847	14,954	6,223	14,899	–	133,028
Inter-segment sales	(7,834)	(474)	(104)	(3,571)	(3,064)	(24)	(79)	–	(15,150)
	46,764	14,111	9,818	14,276	11,890	6,199	14,820	–	117,878
Segment result	1,822	1,702	704	133	441	922	(486)	–	5,238
Interest income – banks								123	123
Finance costs								(750)	(750)
Share of profit of associated companies								771	771
Profit before income tax								144	5,382
Income tax expense								(1,109)	(1,109)
Net profit	1,822	1,702	704	133	441	922	(486)	(965)	4,273
Other segment items									
Capital expenditure	251	184	98	–	56	35	85	–	749
Depreciation	637	103	74	3	18	19	49	–	912

31. Financial information by segments (cont'd)

Assets and liabilities and reconciliations for geographical segments

	Singapore $'000	Malaysia $'000	Indonesia $'000	United Kingdom $'000	China S$'000	Vietnam S$'000	Others $'000	Unallocated $'000	Group $'000
Financial year ended 31 December 2018									
Segment assets	28,918	12,728	6,702	4,951	4,351	3,250	9,961	–	70,861
Associated companies								5,761	5,761
Deferred tax assets								261	261
Interest earning cash balances								4,827	4,827
Consolidated total assets	28,918	12,728	6,702	4,951	4,351	3,250	9,961	10,849	81,710
Segment liabilities	(5,684)	(630)	(704)	(2,252)	(1,256)	(283)	(1,240)	–	(12,049)
Borrowings								(19,505)	(19,505)
Current income tax liabilities								(216)	(216)
Consolidated total liabilities	(5,684)	(630)	(704)	(2,252)	(1,256)	(283)	(1,240)	(19,721)	(31,770)

31. Financial information by segments (cont'd)

Profit or loss and reconciliations for business segments

	Distribution $'000	Manufacturing $'000	Unallocated $'000	Group $'000
Financial year ended 31 December 2019				
Sales				
Total sales by segment	110,090	4,205	–	114,295
Inter-segment sales	(52)	(458)	–	(510)
	110,038	3,747	–	113,785
Segment result	4,140	548	–	4,688
Interest income – banks			185	185
Finance costs			(1,016)	(1,016)
Share of profit of associated companies			1,110	1,110
Profit before income tax			279	4,967
Income tax expense			(985)	(985)
Net profit	4,140	548	(706)	3,982
Other segment items				
Capital expenditure	304	156	–	460
Depreciation	618	247	–	865

Assets and liabilities and reconciliations for business segments

	Distribution $'000	Manufacturing $'000	Unallocated $'000	Group $'000
Financial year ended 31 December 2019				
Segment assets	65,271	7,299	–	72,570
Associated companies			6,610	6,610
Deferred tax assets			442	442
Interest earning cash balances			6,543	6,543
Consolidated total assets	65,271	7,299	13,595	86,165
Segment liabilities	(12,920)	(2,128)	–	(15,048)
Borrowings			(18,429)	(18,429)
Current income tax liabilities			(242)	(242)
Consolidated total liabilities	(12,920)	(2,128)	(18,671)	(33,719)

31. Financial information by segments (cont'd)

Profit or loss and reconciliations for business segments

	Distribution $'000	Manufacturing $'000	Unallocated $'000	Group $'000
Financial year ended 31 December 2018				
Sales				
Total sales by segment	128,855	4,173	–	133,028
Inter-segment sales	(14,702)	(448)	–	(15,150)
	114,153	3,725	–	117,878
Segment result	4,656	582	–	5,238
Interest income – banks			123	123
Finance costs			(750)	(750)
Share of profit of associated companies			771	771
Profit before income tax			144	5,382
Income tax expense			(1,109)	(1,109)
Net profit	4,656	582	(965)	4,273
Other segment items				
Capital expenditure	714	35	–	749
Depreciation	635	277	–	912

Assets and liabilities and reconciliations for business segments

	Distribution $'000	Manufacturing $'000	Unallocated $'000	Group $'000
Financial year ended 31 December 2018				
Segment assets	64,650	6,211	–	70,861
Associated companies			5,761	5,761
Deferred tax assets			261	261
Interest earning cash balances			4,827	4,827
Consolidated total assets	64,650	6,211	10,849	81,710
Segment liabilities	(11,323)	(726)	–	(12,049)
Borrowings			(19,505)	(19,505)
Current income tax liabilities			(216)	(216)
Consolidated total liabilities	(11,323)	(726)	(19,721)	(31,770)

32. Items in the statement of profit or loss and other comprehensive income

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges:

	Group	
	2019	**2018**
	$'000	**$'000**
Fees on audit services to independent auditors:		
- Company's independent auditor	**110**	110
- Other independent auditors	**114**	109
Total	**224**	219
Other fees to independent auditors:		
- Company's independent auditor	**18**	18
- Other independent auditors	**19**	19
Total	**37**	37

33. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements except for SFRS (I) 16.

SFRS (I) No.	**Title**
SFRS (I) 1-19	Amendments: Plan Amendment, Curtailment or Settlement
SFRS (I) 9	Amendments: Prepayment Features with Negative Compensation
SFRS (I) 16	Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards)
SFRS(I) 1-28	Amendments to Long-term Interests in Associates and Joint Ventures
SFRS (I) INT 23	Uncertainty over Income Tax Treatments
SFRS (I) 1-12	Improvements (2017) – Amendments: Income Taxes
SFRS (I) 1-23	Improvements (2017) – Amendments: Borrowing Costs
SFRS (I) 3	Improvements (2017) – Amendments: Business Combinations
SFRS (I) 11	Improvements (2017) – Amendments: Joint Arrangements

33. Changes and adoption of financial reporting standards (cont'd)

Leases:

The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessee almost all leases are brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Thus, the entity has recognised a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements. The amount by which each financial statement line item is impacted (debits / (credits)) in the current reporting year 2019 by the application of the new standard on leases are disclosed in the relevant notes to the financial statements. The reporting entity elected to apply the modified retrospective approach for this standard new standard on leases. Under the modified retrospective approach the comparative Information is not restated and therefore there is no presentation of a third column for the statement of financial position. Any cumulative effect of initially applying this standard is adjusted against the opening balance of retained earnings at the date of initial application.

34. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the entity's financial statements in the period of initial application.

SFRS (I) No	Title	Effective date for periods beginning on or after
SFRS (I) 3	Definition of a Business – Amendments	1 Jan 2020
SFRS (I) 1-1 and 1-8	Definition of Material – Amendments to SFRS (I)	1 Jan 2020
	The Conceptual Framework for Financial Reporting	1 Jan 2020
SFRS (I)10 and SFRS (I) 1-28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	Not fixed yet

STATISTICS OF SHAREHOLDING

As at 9 March 2020

Number of Issued Shares	:	133,300,000
Class of Shares	:	Ordinary
Voting Rights	:	One vote per share
Number of Treasury Shares	:	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 9 MARCH 2020

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2	0.54	143	0.00
100 - 1,000	27	7.32	24,068	0.02
1,001 - 10,000	188	50.95	1,133,900	0.85
10,001 - 1,000,000	141	38.21	8,523,831	6.39
1,000,001 AND ABOVE	11	2.98	123,618,058	92.74
TOTAL	369	100.00	133,300,000	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 9 MARCH 2020

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	40,095,570	30.08
2	CHEW CHOON TEE	37,182,516	27.89
3	TAN BOCK CHIA	15,435,083	11.58
4	DB NOMINEES (SINGAPORE) PTE LTD	10,113,000	7.59
5	HONG LEONG FINANCE NOMINEES PTE LTD	6,008,000	4.51
6	HSBC (SINGAPORE) NOMINEES PTE LTD	5,455,000	4.09
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,375,000	2.53
8	CHONG SIEW LEE MICHELE (ZHANG SHULI MICHELE)	2,289,000	1.72
9	FUNG KOON YAU	1,428,000	1.07
10	RAFFLES NOMINEES (PTE) LIMITED	1,175,600	0.88
11	YEO KAI HOE	1,061,289	0.80
12	DBS NOMINEES PTE LTD	700,300	0.53
13	OCBC NOMINEES SINGAPORE PTE LTD	506,000	0.38
14	LIAU BIN BIN	444,296	0.33
15	LEE SIEW TIONG	352,000	0.26
16	LIM AND TAN SECURITIES PTE LTD	300,000	0.23
17	CHAN KHAI LEONG	299,000	0.22
18	OCBC SECURITIES PRIVATE LTD	286,000	0.21
19	ONG AH INN	200,000	0.15
20	PHILLIP SECURITIES PTE LTD	152,000	0.11
	TOTAL	126,857,654	95.16

STATISTICS OF SHAREHOLDING

As at 9 March 2020

SUBSTANTIAL SHAREHOLDERS AS AT 9 March 2020

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

Notes:

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

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

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

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

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

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC HANDS

16.38% of the Company issued paid-up capital is held in the hands of public. Accordingly, the Company had complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 11 Tuas Link 1, Singapore 638588 on Tuesday, 14 April 2020 at 10.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Statement By Directors and Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Auditor's Report thereon. **(Resolution 1)**

2. To declare a final tax exempt dividend of 1.0 cent per share for the financial year ended 31 December 2019 (2018: final tax exempt dividend of 0.8 cent per share). **(Resolution 2)**

3. To approve Directors' fees of S$162,667 for the financial year ending 31 December 2020 (2019: S$146,000). **(Resolution 3)**

4. To re-elect Mr Chan Kam Loon who is retiring pursuant to Regulation 117 of the Company's Constitution. **(Resolution 4)**

   Mr Chan Kam Loon will, upon re-election as a Director of the Company, continue to serve as an Independent Director, Chairman of the Audit Committee and as members of the Remuneration Committee and Nominating Committee. Mr Chan Kam Loon is considered independent for the purpose of Rule 704(7) of the Listing Manual of the Singapore Exchange Securities Trading Limited Section B: Rules of Catalist (the "Catalist Rules").

   Key information on Mr Chan Kam Loon is found on page 20 of the Company's 2019 annual report.

5. To re-elect Mr Tan Bock Chia who is retiring pursuant to Regulation 117 of the Company's Constitution. **(Resolution 5)**

   Mr Tan Bock Chia, will upon re-election as a Director of the Company, continue to serve as member of the Executive Committee.

   Key information on Mr Tan Bock Chia is found on page 19 of the Company's 2019 annual report.

6. To re-appoint Messrs RSM Chio Lim LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without any modifications:-

7. Authority to allot and issue shares and convertible securities **(Resolution 7)**

   (a) "That pursuant to Section 161 of the Companies Act, Cap. 50, and Rule 806 of the Catalist Rules, authority be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

      (i) issue and allot shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise;

      (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued or other transferable rights to subscribe for or purchase Shares including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares;

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided always that

(i) 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 100% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 50% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company.

For the purpose of this resolution, 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;

a) new shares arising from the conversion or exercise of convertible securities, or

b) new shares arising from exercising share options or vesting of share awards provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules, and

Adjustments in accordance with section a) and b) 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 the resolution approving the mandate is passed.

c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting 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 (i)]

8. To approve the renewal of Interested Person Transactions Mandate **(Resolution 8)**

"That

(a) approval be and is hereby given for the purposes of Chapter 9 of the Catalist Rules ("Chapter 9"), for the Company, its subsidiaries and associated companies (if any) that are considered to be "entities at risk" under Chapter 9, or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Company's Letter to Shareholders dated 30 March 2020 (the "Letter"), with any party who is of the class of interested persons described in the Appendix to the Letter provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders and in accordance with the Company's review procedures for such interested person transactions (the "IPT Mandate");

(b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, 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 earlier; and

(c) the Directors of the Company and each of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or each of them may consider expedient, necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Company."

9. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Chan Kam Loon and Mr Tan Bock Chia are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 14 April 2020 (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(5) of the Catalist Rules, the additional information relating to the Retiring Directors as set out in Appendix 7F to the Catalist Rules is disclosed on page 19 and page 20 of the Company's 2019 annual report.

NOTICE OF RECORD DATE

NOTICE IS HEREBY GIVEN that subject to approval being obtained at the Annual General Meeting to be held at 11 Tuas Link 1, Singapore 638588 on Monday, 14 April 2020 at 10.00 a.m.

1. A final tax exempt dividend of 1.0 cent per share for the financial year ended 31 December 2019 will be paid on 20 May 2020.

2. The Share Transfer Books and Register of Members of the Company will be closed on 5 May 2020 for the purpose of determining members' entitlements to the proposed final tax exempt dividend. Duly completed and stamped transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), 80 Robinson Road #02-00, Singapore 068898, up to 5.00 p.m. on 4 May 2020 will be registered to determine members' entitlements to the proposed dividend. Members (being depositors) whose securities account with the Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 4 May 2020 will be entitled to the payment of the proposed dividend.

BY ORDER OF THE BOARD

Kwok Hwee Peng
Company Secretary

30 March 2020

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:-

(i) The ordinary resolution in item no. 7 is to authorise the Directors of the Company from the date of this Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 100% of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 50% of the issued share capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Notes:

1) Except for a member who is a Relevant Intermediary as defined under section 181(6) of the Companies Act, Chapter 50, a member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies in his stead. Relevant Intermediary is entitled to appoint more than two proxies to attend and vote in this Meeting.

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

3) If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4) The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898 not less than seventy-two (72) hours before the time appointed for the Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative(s)'s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes") and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. The member's personal data and its proxy(ies)'s and/or representative(s)'s personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes. Photographic, sound and/or video recordings of the Annual General Meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the Annual General Meeting. Accordingly, the personal data of a member of the Company and/or its proxy(ies) or representative(s) (such as his/her name, his/her presence at the Annual General Meeting and any questions he/she may raise or motions he/she proposes/seconds) may be recorded by the Company for such purpose.

MEASURES TO MINIMISE RISK OF COMMUNITY SPREAD OF COVID-19

In view of the emergence of COVID-19, we may be taking precautionary measures as we deem appropriate, including measures that are recommended by government agencies, to minimize risk of community spread of COVID-19. Such measures may include temperature check and travel declaration.

Any shareholder or attendee who is deemed unwell or exhibit flu-like symptoms will be declined entry to the Annual General Meeting. You are therefore advised not to attend the Annual General Meeting if you feel unwell.

Shareholder, who is unable to attend the Annual General Meeting, can choose to grant proxy to our Chairman for purpose of voting at the Annual General Meeting.

Megachem seeks the understanding and cooperation of shareholders and other attendees in joining our national effort to minimize the spread of COVID-19.

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

IMPORTANT
1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

PROXY FORM

I/We ______________________________ (Name) NRIC/Passport No ____________________

of ____

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

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at 11 Tuas Link 1, Singapore 638588 on 14 April 2020 at 10.00 a.m. and at any adjournment thereof.

*I/we direct *my/our *proxy/proxies to vote for or against or abstain from voting the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion. If you mark "X" in the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution.

No.	Ordinary Resolutions	For	Against	Abstain
1.	To receive and adopt the Statement By Directors and Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Auditor's Report thereon.			
2.	To declare a final tax exempt dividend of 1.0 cent per share for the financial year ended 31 December 2019.			
3.	To approve Directors' fees of S$162,667 for the financial year ending 31 December 2020.			
4.	To re-elect Mr Chan Kam Loon pursuant to Regulation 117 of the Company's Constitution.			
5.	To re-elect Mr Tan Bock Chia pursuant to Regulation 117 of the Company's Constitution.			
6.	To re-appoint Messrs RSM Chio Lim LLP as auditors of the Company and to authorise the Directors to fix their remuneration.			
7.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.			
8.	To approve the renewal of Interested Person Transactions Mandate.			

Dated this __________ day of ____________________ 2020

Total Number of Shares Held

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

** Delete accordingly*

IMPORTANT. Please read notes overleaf

Notes:-

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two (2) proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act.
6. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898 not less than seventy-two (72) hours before the time set for the Annual General Meeting.
7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, 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 of the Company.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies 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 or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register seventy-two (72) hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
9. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register seventy-two (72) hours before the time set for the Annual General Meeting.
10. An investor who buys shares using CPF monies ("CPF Investor") 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 Annual General 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, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.

PERSONAL DATA PRIVACY

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 30 March 2020.

Affix
Stamp

The Company Secretary
MEGACHEM LIMITED
c/o Tricor Barbinder Share Registration Services
80 Robinson Road #11-02
Singapore 068898

PAPERS USED

In line with Megachem continuing efforts to promote environmental sustainability, the papers used in this Annual Report are made from chlorine-free recycled and virgin pulps.

Cover – GQ Offset, 250 gsm
Review pages – Cocoon Silk, 130gsm
Financial pages – Green Forest, 100gsm

Soft copies of this Annual Report may be downloaded from www.megachem.com.sg in the portable document format (PDF) so as to reduce consumption of resources from printing and distributing hard copies.

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MegaChem

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