



Sustainable Chemistry

Annual Report 2015





A reaction of our **Vision**, a robust **Business Strategy**, sound **Financial Fundamentals**, catalyzed by a **Passion for Excellence and Value Creation** as well as our commitment towards **Corporate Governance** and **Sustainability**, all with an aim of preserving and enhancing the interest of our stakeholders. All these elements create a chemistry that is viable and sustainable – **Megachem's Sustainable Chemistry.**

A Moment of Pride





Megachem Wins Four Awards At The Prestigious Singapore Corporate Awards 2015

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.

Chairman's Message



Our Asia-centric approach, improvement in operational capabilities and strategy to strengthen ties with customers and suppliers over the years have provided us with a good buffer in these uncertain times.



SIDNEY CHEW

Executive Chairman & Managing Director

Dear Shareholders,

It is with pleasure that I present to you, on behalf of the Board of Directors of Megachem Limited ("Megachem" or the "Group"), our annual report for the full year ended 31 December 2015 ("FY2015").

Resilience amidst macroeconomic uncertainties

2015 has been a year of resilience for Megachem. Against a backdrop of a challenging macroeconomic environment during the year, our overall operations have responded fairly well. This was achieved due to the strong foundations laid out while building Megachem's global network in our earlier years and our prudent approach towards business.

An improved bottom-line

Our financial performance has been resilient although our revenue was impacted by a 4.6% decline to S\$110.6 million in FY2015, largely led by lower sales from our America and ASEAN markets. Comparatively, revenue in the previous corresponding full year ("FY2014") was S\$115.9 million. The dip in revenue contribution from America was driven primarily by our conscious

decision to actively mitigate potential risks in South America tied to the current geopolitical climate. However, our strong presence in North Asia, which led to a robust sales growth of S\$2.7 million in that market, helped to partially offset the dip.

Our distribution operations remained the largest contributor of the business. Sales from our distribution segment contracted 4.9% to S\$107.1 million while our manufacturing operations grew 3.4% to S\$3.5 million during the year.

Despite the decline in revenue, we achieved a 8.2% rise in gross profit to S\$25.4 million while gross profit margin improved 2.7 percentage points to 22.9% during the year.

The rate of increase in our overall operating expenses was at a slower pace than the improvement in gross profit, thus, contributing to the 2.9% rise in our net profit after tax to S\$3.3 million in FY2015 from S\$3.2 million in FY2014. Correspondingly, EBITDA climbed to S\$6.4 million in FY2015 from S\$6.2 million in FY2014 while earnings per ordinary share rose to 2.22 cents in FY2015 from 2.08 cents in FY2014.

Cash flow generation continued to be robust, with Megachem's net cash position increasing by S\$2.1 million to S\$11.1 million which enabled us to reduce our bank borrowings by S\$3.6 million to S\$18.3 million.

With the prudent management of our balance sheet, our gearing ratio improved from 0.52 times as at 31 December 2014 to 0.43 times as at 31 December 2015. This provides us the buffer and headroom to expand our business. Our net asset value per share increased to 31.65 cents as at 31 December 2015 from 31.45 cents as at 31 December 2014.

2016: Navigating cautiously, leveraging on a growing Asia market

Given the headwinds brought on by weaknesses in Europe's and China's economies which spilled over from 2015, coupled with the volatility in commodity prices, currencies and stock markets, we expect a softer global macroeconomic outlook in 2016.

As a specialty chemical solutions provider with a wide base of customers across a diverse range of industries and geographical regions, our operations are inextricably tied to the health of the global economy. As such, our efforts to drive a higher rate of revenue growth may be impacted.

While market conditions over the short-term are challenging, we remain confident of our growth prospects over the mid-to-longer-term.

Going forward, we intend to pursue a refined strategic approach, including further diversification of our business portfolio, to fortify our position in the market.

Our Asia-centric approach, improvement in operational capabilities and strategy to strengthen ties with customers and suppliers over the years have provided us with a good buffer in these uncertain times. With a strong and established base in the region, we intend to continue leveraging on this advantage to pursue growth, and for Asia to act as Megachem's springboard to further penetrate into other market segments and geographical regions. We anticipate Asia, one of the largest markets for chemicals, to continue being a key contributor to our business and remain a growing market for us.

Good corporate governance and a culture of transparency

On the corporate governance front, 2015 was a significant milestone year for us. We are delighted and honoured to have won four awards at the prestigious Singapore Corporate Awards. It was the first time we hauled in that many accolades in a single year since the Awards' launch in 2005. The four awards were the 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.

While this is a testament to our efforts in cultivating good corporate governance practices and in fostering a culture of transparency within the organisation, winning these awards also serve as an important reminder for us to continue on our commitment to uphold high standards.

Rewarding our shareholders

In appreciation of our loyal shareholders' faith and confidence in Megachem all these years as we built the business to the well-established specialty chemical solutions provider today, the Board has proposed a final dividend of 0.7 cent per share. With the interim dividend of 0.3 cent per share, FY2015's collective dividend of 1.0 cent per share represents a dividend payout ratio of 45.1% of Megachem's net profit for FY2015.

Words of Appreciation

To our management team, staff, bankers, and business associates, I would like to express my gratitude and acknowledgement for the hard work in enabling Megachem to achieve success. I would also like to give thanks to my fellow Directors for their immense contribution in formulating and steering the Group's strategy.

I am confident that with our stakeholders' support, Megachem will remain on track to achieve greater heights for years to come.

Yours Sincerely,

SIDNEY CHEW

Executive Chairman & Managing Director
Megachem Limited

Our World of Chemistry



Making The World A Brighter Place

Performance Coatings And Polymers

Adhesives
Construction
Paint & Ink
Polymerisation



Driving Performance

Advance Polymer Composites

Plastics
Polyesters
Polyurethane
Rubber

Sustaining Our Natural Resources

Surface Technology

Electronics
Industrial Cleaning
Metal Finishing
Water Treatment



Nourishing Our Well-Being

Biotech

Agriculture
Feeds
Flavours & Fragrance
Food & Beverage
Pharmaceuticals



Our World of Chemistry



Bringing Vibrancy To Life

Lifestyle

Personal Care
Photographic
Textile



Energising The World

Oil And Gas

Lubricant & Grease
Oil Field
Petrochemical

Our Prospects 2016



BUILDING RESILIENCE

A Challenging External Environment

The final months of 2015 ushered in further signs of growth deceleration in China, weakness in Europe's economies, meltdown in crude oil prices plus heightened conflict and tension in the Middle East. The hangover from last year seems likely to extend for some time into 2016.

Therefore we expect a more challenging economic environment going into 2016, marked mainly by continued concerns over the impact of slowing China's economy and the economic health of Europe. Risks are also lurking in the currency markets with higher volatility as well as in the overall financial market which could ultimately hurt the overall economy.

The prospects in chemical industry will inevitably move in tandem with the overall economy. Our efforts to maintain revenue growth momentum will be faced with mounting external challenges.

Refining Our Strategy

In response to the challenges, Megachem will refine our strategy with a focus on building resilience while keeping an eye on the longer term opportunities that the industry presents. This will involve:

- pursuing diversification in our business portfolio;
- adjusting our portfolio with more emphasis on coverage of more resilient industries;
- leveraging on our extensive network in Asia to capitalise on the long term growth of one of the largest markets for chemicals;
- enhancing relationships with key global customers and suppliers; and
- improving operational excellence.

Longer Term Growth Prospect

Despite many headwinds ahead, the long term outlook of the chemical industry remains positive especially in Asia where growth will continue to outpace other regions. Although we may take a more cautious business approach in the short term, our longer term prospect remains intact given our strong business fundamentals and our strength in Asia.



About Us

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "Exchange"). The Company's Sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by 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 Tan Pei Woon (Telephone: (65) 6532 3829) at 1 Robinson Road, #21-02 AIA Tower Singapore 048542.

Company 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.

Company Overview

1

Providing Integrated
Value-added Solutions



2

Serving you Globally with
One-stop Supply of Specialty
Chemicals

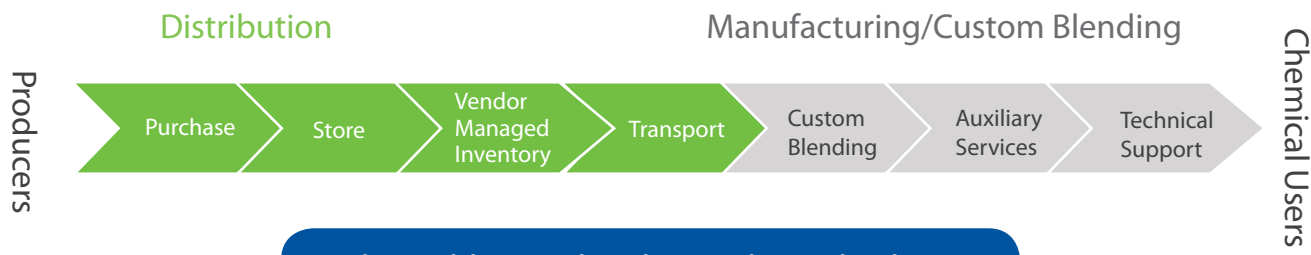


3

A Premium Provider
of Chemical Contract
Manufacturing Services



Our Business Model



Value-Adding in the Chemical Supply Chain

- Wide product portfolio – more than 1000 types and grades of chemicals
- Global Sourcing Network - Europe, US, Japan, China, India
- Global Distribution Network – presence in 11 countries around the world
- Strong customer base – more than 2000 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

- 
-  Singapore
 -  Malaysia
 -  Indonesia
 -  Philippines
 -  Australia
 -  China
 -  Thailand
 -  Middle East
 -  Vietnam
 -  India
 -  UK



CONNECTING TO A 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.

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, 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 spread 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, we are able to deliver just-in-time which in turn helps customers improve inventory planning and reduce inventory cost.

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.



Building Values Together

Your 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.

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 source and order your products for you, store them in close proximity to your production locations and deliver them "just-in-time" for your use.

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 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 service and offer customised solutions.

Adding Value Through Contract Manufacturing

Megachem adds further value to your business by providing contract manufacturing services. We 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 to you or your customers. By engaging us as your contract manufacturer, you outsource your non-core production to us and in so doing you reduce 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. We have the facilities to produce chemicals to your specific needs and the logistic infrastructure to manage your raw materials and finished goods storing and delivery.

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 there will be open channels of sharing and communication of market knowledge and information to keep our suppliers abreast of market development.

Defining Megachem

DIFFERENTIATE ENERGIZED ENGAGE EXECUTE PASSION PERFORMANCE-DRIVEN CHANGE

Supporting Megachem's key success factors is the invigorating **DEEEP** 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.

Our Achievements

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.



CERT NO.: BCM-ISO22301-0035
ISO 22301:2012

Board of Directors



Mr Sidney Chew Choon Tee
Executive Chairman & Managing Director

Mr Sidney Chew, the Group's Executive Chairman and Managing Director, is one of the founders of Megachem. He was appointed as the Managing Director of the Group on 9 November 2005. As Executive Chairman, he leads the Board in setting Megachem's vision and strategic direction. In his executive functions, he assumes primary responsibility for managing the Group's operations. He holds a Bachelor of Science (Hons) in Chemistry and a Bachelor of Arts, majoring in Business Administration, from the University of Guelph. He has many years of experience in the chemical industry. Prior to this, he was a director with a chemical company where he was responsible for product development, marketing and technical matters.



Mr Jeffrey Tan Bock Chia
Executive Director

Mr Jeffrey Tan is one of the founders of Megachem. As an Executive Director, he oversees the Group's operations in China as well as the implementation of the Group's business strategy. Mr Tan completed his "A" levels at Hwa Chong Junior College. His experience in the chemical industry started since 1988 with the founding of Megachem. Mr Tan is also a Honorary Council Member of the Singapore-China Business Association.



Mr Chan Kam Loon
Lead Independent Director

Mr Chan Kam Loon was appointed to the Board on 28 September 2007 as an Independent Director and serves as Chairman of the Audit Committee and a member of the Nominating and Remuneration Committee. He was subsequently appointed as Lead Independent Director on 21 February 2011. He holds a degree in Accounting and Finance from the London School of Economics and is a member of the Institute of Chartered Accountants in England and Wales. He has many years of experience in accounting and audit with KPMG London and PWC Singapore, investment banking with Morgan Grenfell Asia Ltd and HG Asia Securities Ltd and was a director of investments at Suez Asia Holdings. Mr Chan was head of the Listings Function of Markets Group at the Singapore Exchange for 3 years. He also serves as an independent director of three other SGX listed companies.



Mr Lee Bon Leong

Independent Director

Mr Lee Bon Leong was appointed to the Board on 5 September 2003 as an Independent Director. He holds a Bachelor of Law (Hons) and a Masters of Law from the National University of Singapore. A practising lawyer with many years of experience in corporate and conveyancing law, Mr Lee is the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committee. Mr Lee is the Senior Partner of Lee Bon Leong & Co. He is a Justice of the Peace and was a member of the Panel for the Disciplinary Committee of Enquiry Public Service Commission. Mr Lee is the Vice-Chairman and Trustee of the Inmates' Families Support Fund and a member of the Institutional Discipline Advisory/Review Committee (IDAC/IDRC). He is also the Vice Chairman of the Home Detention Advisory Committee 2. He is also serving as an independent director in two other SGX listed companies.



Dr Tay Kin Bee

Independent Director

Dr Tay Kin Bee was appointed to the Board on 1 July 2013 and serves as Chairman of the Remuneration Committee and a member of the Audit Committee. He holds a Doctor of Business Administration degree, a Master's degree in Accounting and Finance as well as a Bachelor's degree in Mechanical Engineering (1st Class Honours). He has vast experience in the chemical industry, having served as the Managing Director and CEO of a specialty chemical distribution company for several years in Malaysia and Singapore. Dr Tay had also made significant contribution to the chemical industry, sharing his knowledge and expertise in various committees. Currently he is the Chairman of Singapore Chemical Industry Council, Deputy Chairman of the Chemical Standards Committee (Singapore Standards Council) and Deputy Chairman of the Workplace, Safety & Health (Chemical Industries) Committee (Ministry of Manpower). He is also a director of SPCI Pte Ltd, a chemical manufacturer of sulphur-based products.



Mr Atsushi Saito

Non-executive Director

Mr Atsushi Saito was appointed to the Board on 21 November 2012 as a Non-executive Director. He holds a degree in Economics and started his career in Chori Co.,Ltd in 1974. He has vast experience in the chemical industry, having held key positions within Chori Co.,Ltd. Mr Saito is currently the Chairman of PT Chori Indonesia, the Managing Director of Chori Singapore Pte Ltd as well as the Chief Representative of Chori Co., Ltd Manila office. Concurrently he holds the position of Supervisor in charge of developing South-east Asia business. Prior to his current positions, he was the Deputy General Manager of the Chemicals, Life Science, Machinery and Electronics operations of the Chori Group.

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 also serves as an independent director of a company 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 from the Nanyang Technological University and is also a member of the Institute of Singapore Chartered Accountants.

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 contribution to profit result outcomes.

Welfare and Well-Being

We are committed to create and sustain a working environment supportive of work life balance for all employees where 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 the nurturing of our employees to achieve excellent business results and a 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 Spring 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 to eligible employees who choose to further their professional education and training (“PET”) that will 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.

Corporate Information

BOARD OF DIRECTORS

Sidney Chew Choon Tee
(Executive Chairman & Managing Director)
Jeffrey Tan Bock Chia
(Executive Director)
Chan Kam Loon
(Lead Independent Director)
Lee Bon Leong
(Independent Director)
Tay Kin Bee
(Independent Director)
Atsushi Saito
(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 SECRETARIES

Toon Choi Fan
Kwok Hwee Peng

REGISTERED OFFICE

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Partner-in-charge: David Eu Chee Wei
(with effect from financial year ended 31 December 2012)

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HSBC
Oversea-Chinese Banking Corporation Limited
Standard Chartered Bank
United Overseas Bank Limited

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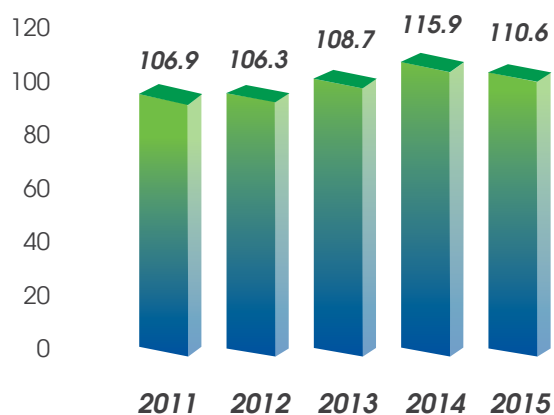


2015 PERFORMANCE REVIEW

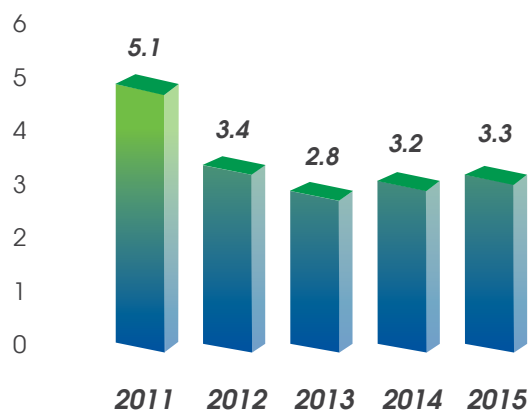
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Financial Highlights

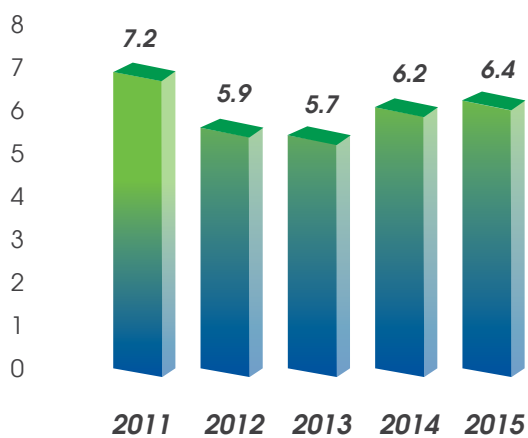
SALES (\$\$'MIL)



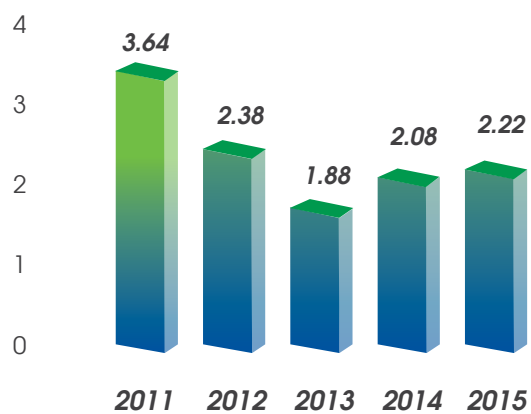
**NET PROFIT AFTER TAX & BEFORE
NON-CONTROLLING INTERESTS (\$\$'MIL)**



EBITDA (\$\$'MIL)



EPS (CENTS)



Financial Highlights

Profitability - Full Year	2015	2014	2013	2012	2011
Sales (S\$'mil)	110.6	115.9	108.7	106.3	106.9
Sales Growth (%)	-4.6%	6.7%	2.3%	-0.6%	12.5%
Profit After Tax (S\$'mil)	3.3	3.2	2.8	3.4	5.1
Profit After Tax Growth (%)	2.9%	14.6%	-17.8%	-33.3%	5.4%
Profit After Tax Margin (%)	3.0%	2.8%	2.6%	3.2%	4.8%
EBITDA (S\$'mil)	6.4	6.2	5.7	5.9	7.2
EPS (cents)	2.22	2.08	1.88	2.38	3.64
Weighted Average Number of Ordinary Shares (mil)	133.3	133.3	133.3	133.3	133.3
ROE (%)	7.0%	6.6%	6.2%	7.9%	12.5%

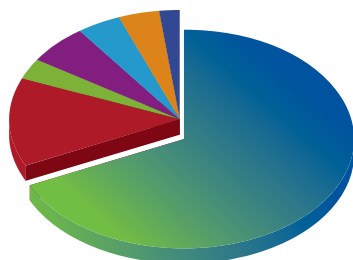
Profitability - Half-year	2015	2014	2013	2012	2011
Sales for first half (S\$'mil)	57.6	55.6	51.9	54.0	57.3
% Growth 1H vs 1H	3.5%	7.3%	-4.0%	-5.6%	26.7%
Sales for second half (S\$'mil)	53.0	60.3	56.8	52.2	49.6
% Growth 2H vs 2H	-12.1%	6.1%	8.8%	5.3%	-0.4%
Profit After Tax for first half (S\$'mil)	1.5	1.1	1.5	2.1	3.0
% Growth 1H vs 1H	30.7%	-24.7%	-26.3%	-32.4%	8.0%
Profit After Tax for second half (S\$'mil)	1.8	2.1	1.3	1.3	2.0
% Growth 2H vs 2H	-12.6%	61.5%	-4.8%	-34.7%	1.9%

Financial Position	2015	2014	2013	2012	2011
Total Assets (S\$'mil)	77.7	83.3	74.7	72.3	67.5
Shareholders Equity (S\$'mil)	42.2	41.9	40.3	39.9	38.9
Net Asset/Share (cents)	31.65	31.45	30.24	29.90	29.21
Borrowings (S\$'mil)	18.3	21.9	17.7	16.0	15.3
Gearing ratio (times)	0.43	0.52	0.44	0.40	0.39
Cash (S\$'mil)	11.1	9.0	8.5	8.1	7.6
Current ratio (times)	2.07	1.74	1.76	2.05	2.43

Dividend	2015	2014	2013	2012	2011
Net Dividend/Share (cents)	1.00	1.00	1.00	1.30	1.30
Net Dividend Payout (%)	45.1%	48.0%	53.3%	54.7%	35.7%
Net Dividend Yield (%) (1)	2.8%	3.0%	3.3%	5.0%	6.6%

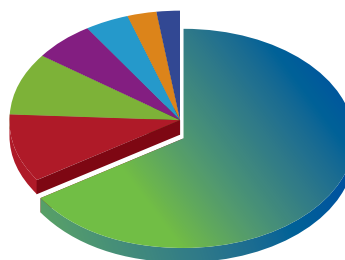
Note: (1) Dividend Yield = Dividend per share / average of beginning and closing prices of the respective financial year

GLOBAL MARKETS



FY2015

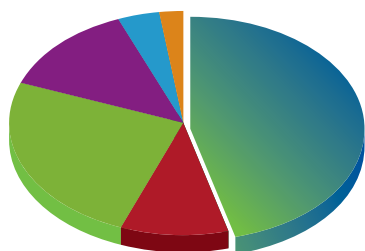
● ASEAN	68%
● North Asia	13%
● America	3%
● Europe	6%
● South Asia	4%
● Middle East	4%
● Australia	2%



FY2014

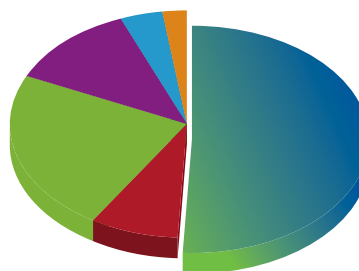
● ASEAN	66%
● North Asia	10%
● America	9%
● Europe	6%
● South Asia	4%
● Middle East	3%
● Australia	2%

INDUSTRY COVERAGE



FY2015

● Performance Coatings & Polymers	46%
● Advanced Polymer Composites	10%
● Surface Technology	25%
● Biotech	13%
● Oil & Gas	4%
● Lifestyle	2%



FY2014

● Performance Coatings & Polymers	51%
● Advanced Polymer Composites	8%
● Surface Technology	23%
● Biotech	12%
● Oil & Gas	4%
● Lifestyle	2%

Operating and Financial Review

1. PROFITABILITY ANALYSIS

1.1 SALES

	H2 2015 S\$'000	H1 2015 S\$'000	H2 2014 S\$'000	Variance Fav(Unfav) H2 2015 VS H1 2015		Variance Fav(Unfav) H2 2015 VS H2 2014	
				S\$'000	%	S\$'000	%
ASEAN	36,183	38,843	37,725	(2,660)	(6.8)	(1,542)	(4.1)
North Asia	7,882	6,615	6,818	1,267	19.2	1,064	15.6
Europe	3,083	3,438	3,906	(355)	(10.3)	(823)	(21.1)
America	755	2,856	6,328	(2,101)	(73.6)	(5,573)	(88.1)
South Asia	2,380	2,363	2,443	17	0.7	(63)	(2.6)
Middle East	1,696	2,194	1,720	(498)	(22.7)	(24)	(1.4)
Australia	967	1,231	1,354	(264)	(21.4)	(387)	(28.6)
Africa	43	31	-	12	38.7	43	NM
Total	52,989	57,571	60,294	(4,582)	(8.0)	(7,305)	(12.1)

	FY2015		FY2014		Variance Fav(Unfav)	
	S\$'000	%	S\$'000	%	S\$'000	%
ASEAN	75,026	67.8	76,950	66.4	(1,924)	(2.5)
North Asia	14,497	13.1	11,794	10.2	2,703	22.9
Europe	3,611	3.3	9,898	8.5	(6,287)	(63.5)
America	6,521	5.9	6,586	5.7	(65)	(1.0)
South Asia	4,743	4.3	4,418	3.8	325	7.4
Middle East	3,890	3.5	3,442	3.0	448	13.0
Australia	2,198	2.0	2,833	2.4	(635)	(22.4)
Africa	74	0.1	3	0	71	NM
Total	110,560	100.0	115,924	100.0	(5,364)	(4.6)

* NM : not meaningful

GEOGRAPHIC SEGMENT SALES ANALYSIS

H2 2015 vs H1 2015

Overall sales in the second half of 2015 ("H2 2015") dipped by S\$4.6 million or 8.0% as compared to the first half of 2015 ("H1 2015") as most markets contracted in H2 2015. The biggest fall was mainly contributed by reduced sales to America, mainly South America, of S\$2.1 million or 73.6% as the country risk associated with the region had increased. This was followed by sales to ASEAN which contracted by S\$2.7 million or 6.8%. Sales from other markets such as Middle East, Australia and Europe fell by a smaller magnitude.

On the other hand, North Asia recorded growth in sales of S\$1.3 million or 19.2% in H2 2015 vs-à-vis H1 2015, mainly from higher exports.

H2 2015 vs H2 2014

Similarly, compared to the second half of 2014 ("H2 2014"), sales decline were led by America and ASEAN while overall sales to North Asia improved.

FY 2015 vs FY 2014

Sales for the full year of 2015 ("FY 2015") decreased by S\$5.4 million or 4.6% to S\$110.6 million as compared to full year of 2014 ("FY 2014") led largely by fall in sales to America and ASEAN markets of S\$6.3 million or 63.5% and S\$1.9 million or 2.5% respectively. This was partially compensated by improvement in sales to North Asia and Middle East of S\$2.7 million or 22.9% and S\$0.4 million or 13.0% respectively.

BUSINESS ACTIVITY SEGMENT SALES BREAKDOWN

	H2 2015 S\$'000	H1 2015 S\$'000	H2 2014 S\$'000	Variance Fav(Unfav) H2 2015 VS H1 2015		Variance Fav(Unfav) H2 2015 VS H2 2014	
				S\$'000	%	S\$'000	%
Distribution activity	51,202	55,892	58,533	(4,690)	(8.4)	(7,332)	(12.5)
Manufacturing activity	1,787	1,679	1,761	109	6.5	27	1.5
Total Sales	52,989	57,571	60,294	(4,582)	(8.0)	(7,305)	(12.1)

	FY 2015 S\$'000	FY 2014 S\$'000	Variance Fav(Unfav)	
			S\$'000	%
Distribution activity	107,094	112,571	(5,477)	(4.9)
Manufacturing activity	3,466	3,353	113	3.4
Total Sales	110,560	115,924	(5,364)	(4.6)

H2 2015 vs H1 2015

H2 2015 vs H2 2014

Distribution segment remained as the main contributor to total sales but activities contracted in H2 2015 as compared to H1 2015 and H2 2014.

Revenue from contract manufacturing increased by S\$109,000 or 6.5% compared to H1 2015 as manufacturing activities were normally higher in the second half of the year but was relatively flat as compared to H2 2014.

FY 2015 vs FY 2014

Sales from distribution segment decreased by S\$5.5 million or 4.9% while revenue from manufacturing segment increased by S\$0.1 million or 3.4%.

Operating and Financial Review

1.2 GROSS PROFIT

H2 2015 vs H1 2015

H2 2015 vs H2 2014

Gross profit margin for H2 2015 jumped to 23.7% as compared to 22.2% in H1 2015 mainly due to a larger proportion of sales contributed from ASEAN and better gross profit margin across several markets such as ASEAN, Middle East and South Asia.

However, the higher gross profit margin was inadequate to compensate for the drop in gross profit that resulted from the decline in sales in H2 2015 of S\$4.6 million, which caused a marginal decrease in gross profit by S\$0.2 million or 1.7% as compared to H1 2015.

Vis-à-vis H2 2014, gross profit margin was 3.0%-point higher due to same reasons noted above plus a lower write off of inventory in H2 2015. As a result, gross profit for H2 2015 was marginally higher by S\$0.1 million despite S\$7.3 million decline in sales.

FY 2015 vs FY 2014

Year-on-year, gross profit margin improved by 2.7% point to 22.9% mainly due to better gross profit margin across ASEAN, America and Middle East markets and a lower write off of inventory in FY 2015.

We achieved higher gross profit of S\$25.4 million, which represented an increase of S\$1.9 million or 8.2% as compared to the previous year despite recording a fall in sales in FY 2015.

1.3 OTHER OPERATING INCOME

	H2 2015 S\$'000	H1 2015 S\$'000	H2 2014 S\$'000	Variance Fav(Unfav) H2 2015 VS H1 2015		Variance Fav(Unfav) H2 2015 VS H2 2014	
				S\$'000	%	S\$'000	%
Bad debt recovered	19	51	12	(32)	(62.3)	7	57.9
Change in fair value of financial assets held for trading							
- forward foreign exchange contracts	(43)	76	47	(119)	(157.5)	(90)	(192.4)
- listed equity security	10	-	55	10	100.0	(45)	(81.8)
Grant income	59	33	-	25	75.9	59	100.0
Net foreign exchange gain	-	-	190	-	-	(190)	(100.0)

	FY 2015 S\$'000	FY 2014 S\$'000	Variance Fav(Unfav) S\$'000 %	
Bad debt recovered	70	63	7	10.8
Change in fair value of financial assets held for trading - listed equity security	10	60	(50)	(83.3)
Change in fair value of financial assets held for trading - forward foreign exchange contracts	32	47	(15)	(31.6)
Grant income	92	41	52	127.0
Net foreign exchange gain	-	190	(190)	(100.0)

H2 2015 vs H1 2015

H2 2015 vs H2 2014

Other operating income in H2 2015 decreased as compared to both H1 2015 and H2 2014. The main factors causing the decrease were mainly lower fair value gain from listed equity security and forward foreign exchange contracts offset by higher grant income received.

FY 2015 vs FY 2014

Other operating income decreased by S\$182,000 or 38.7% to S\$288,000 mainly due to net foreign exchange gain recorded in prior year of S\$0.2 million, as opposed to net foreign exchange loss suffered this year of S\$83,000, as well as lower fair value gain from listed equity security and forward foreign exchange contracts of S\$65,000 in total. This was partially offset by an increase in grant income received of S\$52,000.

1.4 OPERATING EXPENSES

H2 2015 vs H1 2015

H2 2015 vs H2 2014

	H2 2015 S\$'000	H1 2015 S\$'000	H2 2014 S\$'000	Variance Fav(Unfav) H2 2015 VS H1 2015 S\$'000 %		Variance Fav(Unfav) H2 2015 VS H2 2014 S\$'000 %	
Employee remuneration and related expenses	6,287	6,277	6,094	(10)	(0.2)	(193)	(3.2)
Net foreign exchange (gain)/loss	(305)	389	-	694	178.6	305	100.0
Professional fees	346	270	363	(76)	(28.0)	17	4.7
Travelling and transport	540	461	520	(79)	(17.1)	(20)	(3.9)
Rental	1,393	1,305	1,153	(88)	(6.8)	(240)	(20.8)

Operating and Financial Review

The impact of net foreign exchange gain of S\$0.3 million in H2 2015, as compared to a net loss of S\$0.4 million in H1 2015, was the main reason for the decrease in total operating expenses from S\$11.0 million to S\$10.6 million in H2 2015. The net foreign exchange gain in H2 2015 arose mainly from the appreciation of United State Dollars against British Pound and Singapore Dollars.

Excluding the impact of foreign exchange, operating expenses in H2 2015 would have increased by S\$0.3 million due to higher rental, professional fees and travelling and transport expenses.

As compared to H2 2014, total operating expenses were higher marginally by S\$0.1 million or 1.4%. Excluding net foreign exchange gain of S\$0.3 million in H2 2015, the increase would be higher by S\$0.4 million which was mainly attributable to higher employee remuneration and related expenses and rental expense.

FY 2015 vs FY 2014

Total operating expenses for FY 2015 amounted to S\$21.6 million which represented an increase of S\$1.4 million or 6.9% as compared to last year. Excluding net foreign exchange loss, the increase would be smaller at S\$1.3 million or 6.5%.

The main variances in our operating expenses were as follows:

	FY 2015 S\$'000	FY 2014 S\$'000	Variance Fav(Unfav) S\$'000 %	
Employee remuneration and related expenses	12,563	11,711	(852)	(7.3)
Net foreign exchange loss	83	-	(83)	(100.0)
Professional fees	616	689	73	10.6
Rental	2,698	2,098	(600)	(28.6)

Employee remuneration remained the largest component of total operating expenses followed by rental expenses. The increase of S\$0.9 million or 7.3% for employee remuneration was in line with annual pay increment and additional headcount hired for expansion.

Increase in warehousing rental rates and higher average inventory level compared to last year led to an increase in rental expenses of S\$0.6 million or 28.6%.

Lower professional fees were incurred as certain services such as tax-related consultancy fees and lawyers' fees for financing of the purchase of land in Malaysia did not recur in the current year.

1.5 FINANCE COSTS

Finance costs comprised the following:

	H2 2015 S\$'000	H1 2015 S\$'000	H2 2014 S\$'000	Variance Fav(Unfav) H2 2015 VS H1 2015		Variance Fav(Unfav) H2 2015 VS H2 2014	
				S\$'000	%	S\$'000	%
Bills payables	137	144	168	8	5.2	32	18.9
Bank loans	173	139	104	(35)	(25.0)	(70)	(67.4)
Total finance costs	310	283	272	(27)	(9.6)	(38)	(13.9)

	FY 2015 S\$'000	FY 2014 S\$'000	Variance Fav(Unfav)	
			S\$'000	%
Bills payables	281	287	7	2.3
Bank loans	312	205	(107)	(52.3)
Total finance costs	593	492	(100)	(20.4)

H2 2015 vs H1 2015

H2 2015 vs H2 2014

Average trade borrowings continued to fall in H2 2015 as compared to H1 2015 and H2 2014 as a result of positive cashflow.

On the other hand, new long term bank loan was drawn down in March 2015 to finance the land purchase in Malaysia. This caused overall finance costs for H2 2015 to be higher than H1 2015 and H2 2014 by S\$27,000 or 9.6% and S\$38,000 or 13.9% respectively.

FY 2015 vs FY 2014

Finance costs increased year-on-year by S\$0.1 million or 20.4% primarily due to new long term bank loan drawn down and higher borrowing rates although average trade borrowings had decreased.

1.6 SHARE OF PROFIT OF ASSOCIATED COMPANIES

H2 2015 vs H1 2015

H2 2015 vs H2 2014

The distribution business segment from our associated company in Thailand remained weak in H2 2015. The increase in our share of profits of S\$0.3 million or 87.0% vis-à-vis H1 2015 was primarily due to one-time valuation gain of S\$0.2 million on plant and equipment resulting from the restructuring of one of our associated companies.

As compared to H2 2014, share of profits were higher by S\$40,000 or 7.3% mainly due to valuation gain on plant and equipment of S\$0.2 million.

FY 2015 vs FY 2014

Year-on-year, our share of profit decreased by S\$0.1 million or 11.3% as the Thai economy had yet to see a strong recovery this year, which mirrored the performance of our ASEAN market although net gain on restructuring of one of the associated companies helped to increase profitability in the current year.

Operating and Financial Review

1.7 PROFIT BEFORE INCOME TAX

H2 2015 vs H1 2015

As compared to H1 2015, the increase in net profit before tax for H2 2015 of S\$0.4 million or 17.4% were mainly due to net impact of the reversal of net foreign exchange loss and valuation gain from plant and equipment from associated company.

H2 2015 vs H2 2014

Despite higher gross profit earned, net profit was lower by S\$0.3 million or 11.3% due to higher operating expenses of S\$0.4 million incurred in H2 2015.

FY 2015 vs FY 2014

Although we achieved higher gross profit of S\$25.4 million, which represent an increase of S\$1.9 million, this was eroded by higher operating expenses and finance cost of S\$1.4 million, unfavourable foreign exchange impact of S\$0.3 million and lower share of profit of associated companies of S\$0.1 million.

As a result, net profit before tax increased marginally by S\$0.1 million or 3.0% to S\$4.4 million as compared to last year. As for EBITDA, it increased by S\$0.2 million or 2.6% to S\$6.4 million in FY 2015.

1.8 NET PROFIT AFTER TAX

Consistent with the above, net profit after tax increased by S\$0.3 million or 20.1% vis-à-vis H1 2015 but fell by S\$0.3 million or 12.6% as compared to for H2 2014. Year-on-year, it was up marginally by S\$0.1 million or 2.9% to S\$3.3 million.

1.9 TOTAL COMPREHENSIVE INCOME

H2 2015 vs H1 2015

H2 2015 vs H2 2014

Total comprehensive income fell by S\$50,000 or 4.8% and S\$1.2 million or 55.6% as compared to H1 2015 and H2 2014 respectively. This was due to net exchange losses on translation of foreign operations of S\$0.8 million in H2 2015 as opposed to a smaller loss of S\$0.5 million in H1 2015 and net exchange gain on translation of S\$0.2 million in H2 2014.

The net exchange losses on translation of foreign operations of S\$0.8 million in H2 2015 and S\$0.5 million in H1 2015 arose primarily from the significant weakening in Malaysian Ringgit while the net exchange gains on translation in H2 2014 resulted from a mix of a stronger Thai Baht and United States Dollar.

FY 2015 vs FY 2014

Year-on-year, total comprehensive income fell by S\$1.3 million or 40.0% mainly from the significant weakening in Malaysian Ringgit.

2. BALANCE SHEET ANALYSIS

Balance Sheet Highlights	As at		Variance
	31 December 2015	31 December 2014	31 December 2015 vs 31 December 2014 Fav(Unfav)
Cash (S\$mil)	11.1	9.0	2.1
Borrowings (S\$mil)	18.3	21.9	3.6
Current ratio	2.07	1.74	0.33
Gearing ratio	0.43	0.52	0.09
Net assets per share attributable to equity holders of the Company (cents)	31.65	31.45	0.20
Inventory turnover (days)	101	90	(11)
Trade receivables turnover (days)	93	89	(4)

Property, plant and equipment

Property, plant and equipment decreased by S\$1.5 million or 10.9% mainly due to depreciation charge of S\$1.5 million and net exchange losses on translation of S\$0.5 million which arose mainly from the land in Malaysia. This was offset by capital expenditure of S\$0.4 million during the year.

Associated companies

The decrease in the carrying value of our investment by S\$1.6 million or 23.1% was mainly due to dividend return of S\$2.3 million offset by net positive contribution from our associated companies of S\$0.9 million.

Trade receivables

Net third party trade receivables decreased by S\$3.9 million or 13.4% from S\$29.4 million as at 31 December 2014 to S\$25.5 million as at 31 December 2015 as a result of lower sales achieved for the current year. Turnover days for FY 2015 increased to 93 days from 89 days in FY 2014 as proportion of receivables from South America remained high.

Inventory

Inventory decreased marginally by S\$0.5 million or 2.4% to S\$21.0 million as at 31 December 2015. This was in line with slower sales in FY 2015. Inventory turnover days increased to 101 days as compared to 90 days in the previous year.

Other current assets

Other current assets of S\$1.9 million, which consist mainly of advances to suppliers and prepayments, increased marginally by S\$50,000 or 2.7% as compared to S\$1.8 million as at 31 December 2014 mainly due to higher prepayment of taxes offset by lower advance payments to suppliers for inventory purchase.

Financial assets and financial liabilities held for trading

Both financial assets and liabilities held for trading remained relatively unchanged as compared to 31 December 2014.

Trade and other payables

Corresponding to the decrease in inventory, trade payables declined from S\$7.4 million as at 31 December 2014 to S\$7.1 million as at end of current year.

Operating and Financial Review

Non-trade amount due to related party, which consist of short term loan from director, decreased by S\$0.2 million to S\$0.7 million as at 31 December 2015 after partial repayments were made.

Other payables decreased by S\$0.8 million mainly due to final payments made for the purchase of industrial land in Malaysia. Advance payments from customers, mainly from South America customers, and accrued operating expenses each fell by S\$0.6 million. The decrease in advance payments from customers was largely due to reduced sales to that market in FY 2015.

Borrowings

Strong cash generated from operating activities were utilized to reduce trade borrowings of S\$3.5 million and short term bank loans of S\$1.1 million. This was offset by new long term loan drawn to finance purchase of land in Malaysia.

As a result, total borrowings declined by S\$3.6 million or 16.7% to S\$18.3 million as at 31 December 2015. Consequentially, our gearing ratio was reduced to 0.43.

Net asset value

Net asset value per share increased from 31.45 cents as at 31 December 2014 to 31.65 cents as at 31 December 2015 primarily due to total comprehensive income for the current year of S\$1.6 million offset by dividend payment to shareholders of S\$1.3 million.

3. CASH FLOW

Overall cash and cash equivalents increased by S\$2.1 million from S\$9.0 million as at 31 December 2014 to S\$11.1 million as at 31 December 2015. S\$7.0 million was generated from operating activities and dividends totaled S\$2.3 million were received. These were substantially used to reduce overall short term borrowings of S\$4.8 million, finance capital expenditure of S\$1.3 million and to meet our dividends obligations of S\$1.3 million.

Share Information

(as at 19 February 2016)

Listing Date	17 October 2003
IPO Price	28 cents
Historical High	68 cents
Historical Low	13 cents
52 weeks High	43.0 cents
52 weeks Low	30.5 cents
Price (as at 19 February 2016)	33.0 cents
No of Shares	133,300,000
Earnings per share FY2015	2.22 cents
Historical P/E	14.9 x
Market Capitalisation	\$43.99 mil
NTA/share	31.65 cents
Price/Book Ratio	1.04



Share Information

(as at 19 February 2016)

MEGACHEM VS ST ALL SHARES



MEGACHEM VS ST CATALIST



Year in Review

FEBRUARY 2015

Megachem sales hit new record once again in FY2014 and reported an increase of 14.6% in net profit after tax despite a challenging macroeconomic environment.

APRIL 2015

Annual General Meeting.

APRIL 2015

Megachem's associated company entered into a non-binding Memorandum of Understanding with an independent and unrelated third party to amalgamate its operations by forming a new company in Thailand to engage in the production of natural latex bedding products.

MAY 2015

Megachem's associated company appointed a financial advisor in connection with its proposed listing on the Stock Exchange of Thailand.

MAY 2015

A final tax exempt dividend of 0.7 cent per share for the financial year ended 31 December 2014 was paid.

JULY 2015

Megachem was accorded four awards being Best Managed Board (Gold), Best Chief Financial Officer, Best Annual Report Award (Silver) and Best Investor Relations Award (Bronze) (for companies with less than S\$300 million market capitalization) at the Singapore Corporate Awards.

AUGUST 2015

Megachem net profit up 30.7% to S\$1.5 million for the first half of FY2015 on the back of a 3.5% increase in revenue to S\$57.6 million and declared an interim tax exempt dividend of 0.3 cent per share.

FEBRUARY 2016

Megachem achieved an increase of 2.9% in net profit after tax to S\$3.3 million for FY2015. A final tax exempt dividend of 0.7 cent per share was proposed for FY2015 (subject to approval by shareholders at its coming Annual General Meeting).

FEBRUARY 2016

The amalgamation of its operations in Thailand was completed. Following the completion, Megachem's associated company holds 30% of the issued capital of the new company and Megachem, through its 48% interest, has an indirect interest of 14.4% in the new company.

Financial Calendar

22 February 2016	Result Announcement for Financial Year ended 31 December 2015
23 February 2016	Analyst Briefing
24 February – 1 March 2016	Online Q&A with investors & shareholders
15 April 2016	Annual General Meeting
15 April 2016	Extraordinary General Meeting for shareholders' approval of Interested Person Transactions Mandate
13 May 2016	Books Closure Date (subject to approval at Annual General Meeting)
31 May 2016	Dividend Payment Date (subject to approval at Annual General Meeting)
August 2016	Result Announcement for Half Year ending 30 June 2016
August 2016	Analyst Briefing
August 2016	Online Q&A with investors & shareholders
February 2017	Result Announcement for Financial Year ending 31 December 2016

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Megachem was accorded four 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 at the Singapore Corporate Awards in 2015.

Megachem has received awards in seven out of the ten years since the launch of the Singapore Corporate Awards in 2005. It is also the first time that we have hauled in a total of four prestigious awards in a single year and this is testament to our commitment to maintain high standards of corporate governance in order to protect and enhance the interests of our shareholders.

The directors and management strongly supports the principles of transparency, accountability and integrity as set out in the Code of Corporate Governance 2012. This report describes the Company's corporate governance policies and practices which were in place during the financial year ended 31 December 2015.

BOARD MATTERS

The Board's Conduct of its Affairs

PRINCIPLE 1 *Every Company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the long-term success of the Company. The Board works with management to achieve this objective and the management remains accountable to the Board.*

1.1 The Board's role is to:

- a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- c) review management performance;
- d) identify the key stakeholder groups and recognize that their perceptions affect the Company's reputation;
- e) set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
- f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulations;
- g) review financial plans including any investments and divestments;
- h) approve the release of the financial results, annual reports and announcements of the Group to shareholders;
- i) ensure the Group complies with laws, regulations, policies, directives, guidelines and internal code of conduct;
- j) review and approve the recommended remuneration framework and packages for the Board and key management personnel;
- k) review the performance of the Board, set the criteria for selection of directors and to nominate directors for shareholders' approval; and
- l) ensure communication with shareholders are accurate, adequate and timely.

1.2 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.

Corporate Governance Report

1.3 To assist the Board in the execution of its responsibilities, the Board has constituted various Board committees, namely the Audit Committee, Remuneration Committee, Nominating Committee and the Executive Committee. The role and function of each committee is described in subsequent sections in this report. While these committees are delegated with certain responsibilities, the ultimate responsibility for the final decision lies with the entire Board.

1.4 The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings will be convened when circumstances require.

The Company's Articles of Association permits directors to attend meetings by way of telephonic and videoconference meetings.

Details relating to the number of Board and committee meetings and the attendance of the directors are disclosed in this Report.

1.5 The Board has adopted a set of guidelines on matters that require its approval. Matters which are specially reserved for the Board's approval include those involving business plans and budgets, investments, material acquisitions and disposals of assets, corporate or financial restructuring, corporate strategy, share issuances, dividends, and other returns to shareholders.

1.6 All newly appointed directors are given briefings by management on the history, business operations and corporate governance practices of the Group. The Company provides for the directors to attend seminars and training to enable them to keep pace with regulatory changes, where changes to regulations and accounting standards have a material bearing on the Company and to enable them to discharge their duties with due care and diligence. In FY2015, directors were briefed by our external auditors on transfer pricing guidelines issued by Inland Revenue Authority of Singapore as well as by management on key changes to the Company's Act of Singapore.

1.7 All Board committees are constituted with clear Terms of Reference to assist the Board in discharging its functions and responsibilities. The Terms of Reference are provided to each newly-appointed director.

BOARD COMPOSITION AND GUIDANCE

PRINCIPLE 2 *There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

Board Committees

Name	Designation	Audit Committee	Nominating Committee	Remuneration Committee	Executive Committee
Mr Sidney Chew Choon Tee	Chairman & Managing Director		Member		Chairman
Mr Jeffrey Tan Bock Chia	Executive Director				Member
Mr Chan Kam Loon	Lead Independent Director	Chairman	Member	Member	
Mr Lee Bon Leong	Independent Director	Member	Chairman	Member	
Dr Tay Kin Bee	Independent Director	Member		Chairman	
Mr Atsushi Saito	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

- 2.1 The Board currently comprises six directors of whom three are independent non-executive directors. As independent non-executive directors make up half of the Board, the Board is able to exercise objective judgment independently from management and no individual or small group of individuals dominate the decisions of the Board. Each independent director is required to complete a Director's Independence Form annually to confirm his independence.
- 2.2 As the Chairman of the Board and the Chief Executive Officer/Managing Director of the Group is the same person and is also part of the management, half of the Board is now made up of independent directors.
- 2.3 The Board of Directors currently comprises:

Mr Sidney Chew Choon Tee	(Chairman and Managing Director)
Mr Jeffrey Tan Bock Chia	(Executive Director)
Mr Chan Kam Loon	(Lead Independent and Non-executive Director)
Mr Lee Bon Leong	(Independent and Non-executive Director)
Dr Tay Kin Bee	(Independent and Non-executive Director)
Mr Atsushi Saito	(Non-executive Director)

After taking into account the views of the Nominating Committee, the Board is satisfied that each independent director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could affect, the director's judgement.

- 2.4 Independent director, Mr Lee Bon Leong, has served the Board since September 2003. Even though he served for more than 9 years, the Nominating Committee and the Board is satisfied that he has during this tenure acted independently in the interest of Company. Mr Lee continues to demonstrate the essential characteristics of independence expected by the Board. Furthermore his legal expertise and in-depth knowledge of the Group's business contributes greatly to the effectiveness of the Board. There is no existence of any relationship that could interfere with the exercise of the director's independent business judgement.
- 2.5 The Board is of the opinion that, given the scope and nature of the Group's operations, the present size of the Board is appropriate for effective decision making.
- 2.6 The Board is of the opinion that the current Board comprises of persons who as a group, have core competencies such as finance, accounting, legal, business and industry knowledge necessary to lead and manage the Company. The profile of each of the directors is disclosed in the Board of Directors section of this Annual Report.
- 2.7 The non-executive directors participate actively in developing strategy and in reviewing the performance of the Company.
- 2.8 Where necessary the independent directors may meet without the presence of the management of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER/MANAGING DIRECTOR

PRINCIPLE 3 *There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.*

- 3.1 Mr Sidney Chew Choon Tee is currently the Executive Chairman of the Board and also the Managing Director of the Company. The Board is of the view that accountability and independence have not been compromised despite the Chairman and Managing Director being the same person. The Chairman and Managing Director have defined responsibilities which, during his tenure so far, have not conflicted with each other. Major business proposals are discussed at Board meetings before decisions are made. The Board believes there is sufficient element of independence and adequate safeguards against a concentration of power in one single person.

Corporate Governance Report

3.2 The Chairman is responsible to, among others:-

- a) lead the Board to ensure its effectiveness on all aspects of its role;
- b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- c) promote a culture of openness and debate at the Board;
- d) ensure that the directors receive complete, adequate and timely information;
- e) ensure effective communication with shareholders;
- f) encourage constructive relations within the Board and between the Board and management;
- g) facilitate the effective contribution of non-executive directors in particular; and
- h) promote high standards of corporate governance.

3.3 The Board has appointed Mr Chan Kam Loon as the Lead Independent Director and is of the view that there is sufficiently strong independent element on the Board to enable the independent exercise of objective judgement on corporate affairs of the Group by members of the Board, taking into account factors such as the number of independent directors on the Board, as well as the size and scope of the affairs and operations of the Group.

The Lead Independent Director is available to shareholders where they have concerns which contact through the normal channels of the Chairman and Managing Director or Chief Financial Officer has failed to resolve or for which such contact is not appropriate.

3.4 Where necessary the independent directors shall meet without presence of the other directors and the Lead Independent Director shall provide feedback to the Chairman after such meetings.

BOARD MEMBERSHIP

PRINCIPLE 4 *There should be a formal and transparent process for the appointment and re-appointment of directors to the Board Nominating Committee*

4.1 To facilitate a formal and transparent process for the appointment of directors, the Board has formed the Nominating Committee.

The Nominating Committee comprises:-

Mr Lee Bon Leong	(Chairman and Independent Non-executive Director)
Mr Chan Kam Loon	(Member and Lead Independent Non-executive Director)
Mr Sidney Chew Choon Tee	(Member and Managing Director)

The members of the Nominating Committee, including the Chairman of the committee, are independent non-executive directors except for Mr Sidney Chew Choon Tee who is the Company's Executive Chairman and Managing Director.

4.2 The Nominating Committee's principal responsibilities are to make recommendation to the Board on relevant matters relating to:

- (a) the review of board succession plans for directors, in particular, the Chairman and for the Managing Director;
- (b) the development of a process for evaluation of the performance of the Board and its board committees;
- (c) the review of training and professional development programs for the Board;
- (d) the assessment annually whether or not a director is independent;
- (e) the appointment and re-appointment of directors (including alternate director, if applicable); and
- (f) the assessment of effectiveness of the Board as a whole and the contribution by each individual director to the Board.

The evaluation of appointment and re-appointment of a director takes into consideration, among others, the composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance.

Pursuant to the Articles of Association of the Company:-

- (a) one third of the directors shall retire from office by rotation at each Annual General Meeting; and
- (b) provided that all directors shall retire from office at least once every 3 years but shall be eligible for re-election.

4.3 The Nominating Committee's assessment of the independence of a director is guided by the Code of Corporate Governance and takes into account factors such as relationship with the Company, its related corporations, its 10% shareholders or its officers and whether these relationships interfere with his business judgement.

4.4 The Nominating Committee is of the view that despite some of the directors having other Board representations as described below, there are currently no compelling reasons to impose a cap on the number of board representations each director may hold since these directors are able to and have adequately carried out their duties as directors of the Company. Board meetings are planned and scheduled well in advance of the meeting dates.

4.5 The Board provides for appointment of alternate director only in exceptional cases such as when a director has a medical emergency. The Board will take into consideration the same criteria for selection of directors such as his qualifications, competencies and independence.

4.6 The Nominating Committee sources for potential appointees through various channels such as recommendation, executive search or knowledge of the industry. The Nominating Committee then evaluates the eligibility of potential appointees based on several criteria such as his/her experience, ability to exercise independence in decision-making and his/her level of commitment prior to recommending them to the Board.

Each member of the Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance, appointment or re-appointment as a director.

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4.7 Directors' Key Information

Name of Director	Date of initial appointment	Date of last re-election	Present directorships in listed companies	Past directorships in the preceding 3 years in listed companies
Mr Sidney Chew Choon Tee	28 April 1989	10 April 2015	Nil	Nil
Mr Jeffrey Tan Bock Chia	12 September 1988	28 April 2014	Nil	Nil
Mr Chan Kam Loon	28 September 2007	28 April 2014	i. Hupsteel Ltd ii. Jiutian Chemical Group Limited iii. Sarine Technologies Limited	i. China Gaoxian Fibre Fabric Holdings Ltd ii. Z-Obee Holdings Ltd iii. Vashion Group Ltd
Mr Lee Bon Leong	5 September 2003	10 April 2015	i. Ann Aik Limited ii. Asia Enterprises Holding Ltd	Nil
Dr Tay Kin Bee	1 July 2013	28 April 2014	Nil	Nil
Mr Atsushi Saito	21 November 2012	15 April 2013	Nil	Nil

The following directors will stand for re-election in the forthcoming annual general meeting.

Name of Director	Shareholdings (direct and deemed) in the Company (as at 21 January 2016)	Relationships including immediate family relationships between the candidate and the directors, the Company or its 10% shareholders
Mr Jeffrey Tan Bock Chia	24,639,483 (18.48%)	Nil
Mr Atsushi Saito	Nil	An employee of Chori Co., Ltd, a 29.99% shareholder of Megachem Limited

Please refer to Board of Directors section of this Annual Report for a profile of each director's academic, professional qualifications and other principal commitments.

BOARD PERFORMANCE

PRINCIPLE 5 *There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.*

- 5.1 The Nominating Committee conducts an annual assessment of the performance of the Board as a whole and its board committees in view of the complementary and collective nature of directors' contributions. This process is conducted using a questionnaire designed to assess the performance of the Board and its Board committees. The Board and Board committees' performance will be evaluated by each director and the findings are collated for the final review by the Nominating Committee and Board.
- 5.2 The Nominating Committee has established objective performance criteria such as entrepreneurial leadership, value setting, frequency of meetings and participation in strategic planning, risk management and internal controls to evaluate the Board's performance as a whole.

- 5.3 The Board reviews the assessment conducted by the Nominating Committee and where necessary makes changes to further improve the effectiveness of the Board. Following the review, the Board is of the view that the Board and its Board Committees operate effectively.

ACCESS TO INFORMATION

PRINCIPLE 6 *In order to fulfill their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

- 6.1 The Board is provided with complete and adequate information prior to Board meetings and on an on-going basis. The Company circulates copies of the minutes of the meetings of all Board Committees and the Board to all members of the Board to keep them informed of on-going developments within the Group. The Board also has separate and independent access to management.
- 6.2 Information provided to the Board include financial management reports, reports on performance of the Group against the budget with notes on any significant variances, papers pertaining to matters requiring the Board's decision, updates on key outstanding issues, strategic plans and developments in the Group.
- 6.3 The directors have separate and independent access to the Company Secretary at all times. The Company Secretary attends all Board and Committee meetings and is responsible for ensuring that Board procedures are followed. The Company Secretary assists management in ensuring that the Company complies with rules and regulations which are applicable to the Company.
- 6.4 The Board is involved in the appointment and removal of the Company Secretary.
- 6.5 The Company has in place procedures for directors to seek independent advice, where necessary, in the furtherance of their duties and at the Company's expense.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

PRINCIPLE 7 *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

The Remuneration Committee comprises:-

Dr Tay Kin Bee	(Chairman and Independent Non-executive Director)
Mr Lee Bon Leong	(Member and Independent Non-executive Director)
Mr Chan Kam Loon	(Member and Lead Independent Non-executive Director)

- 7.1 The members of the Remuneration Committee are all independent non-executive directors.
- 7.2 The Remuneration Committee's principal responsibilities are to:-
- (a) review and recommend to the Board for endorsement an appropriate framework of remuneration and the specific remuneration packages for each director and the Managing Director;

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- (b) review and recommend to the Board for endorsement an appropriate framework of remuneration for key management personnel to ensure that the level of remuneration is competitive and appropriate to attract, retain and motivate them to run the Group successfully; and
 - (c) administer any employee share scheme that the Company may have.
- 7.3 If necessary, the Remuneration Committee shall seek expert advice on remuneration of all directors. The Remuneration Committee shall ensure that any relationship between the appointed consultant and any of its director or Company will not affect the independence and objectivity of the remuneration consultant.
- 7.4 The Remuneration Committee reviews the service contracts of the executive directors to ensure that the contracts, including any termination clauses, are fair and reasonable.
- 7.5 No directors participate in decisions on their own remunerations.

LEVEL AND MIX OF REMUNERATION

PRINCIPLE 8 ***The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.***

- 8.1 Executive directors' remuneration package and key management personnel's remuneration framework are structured in a way that links rewards to corporate and individual performance and takes into account industry benchmarks. The review of remuneration packages also takes into consideration the pay and employment conditions within the industry and the long term interests of the Group. The review covers all aspects of remuneration including salaries, fees, allowances, bonuses, share options and benefits-in-kind. The Remuneration Committee's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board.
- 8.2 The Company has in place an Employee Share Option Scheme that serves to provide a longer term incentive better aligned with long term performance of the Company and of the employee. The Company has not granted any share options so far under the scheme.
- 8.3 Remuneration of independent directors is set at a level commensurate with the level of responsibility and after taking into account industry benchmarks. The Company believes that the current remuneration of independent directors is at a level that will not compromise the independence of the directors.
- 8.4 The Company currently does not have any contractual provisions to allow the Company to reclaim incentive from executive directors in exceptional cases of wrongdoings.

DISCLOSURE ON REMUNERATION

PRINCIPLE 9 *Each Company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

9.1 Remuneration of the executive directors is 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 shall participate in a profit sharing bonus calculated based on a formula of audited Group's net profit before tax, less (i) extraordinary items, (ii) non-recurring items and (iii) minority interest. Executive directors do not receive directors' fees. There are no post retirement and severance benefits for the executive directors except the common practice of giving notice or salary in lieu of notice in the event of termination.

9.2 The remuneration of executive directors of the Company for FY2015 is set out below:-

Name of Director	Remuneration band	% Breakdown of Remuneration		
		Base salary	Bonus	Benefits in kind
Mr Sidney Chew Choon Tee	Band C	73%	19%	8%
Mr Jeffrey Tan Bock Chia	Band C	71%	20%	9%

For the above disclosures, the category of remuneration band is as follows:-

Band A : Below S\$250,000

Band B : S\$250,000 to below S\$500,000

Band C : S\$500,000 to below S\$750,000

Having considered the sensitivity and confidentiality of the remuneration package, the Company took the view that disclosing the specific amount of remuneration of the directors may not be in the best interest of the Company. Therefore, no disclosure of the specific remuneration is made.

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. For FY2015, total of S\$146,000 was paid to independent directors.

The remuneration of independent directors of the Company for FY2015 is set out below:-

Name of Director	Directors' fees
Mr Lee Bon Leong	Band A
Mr Chan Kam Loon	Band B
Dr Tay Kin Bee	Band A

For directors' fees disclosure, the category of remuneration band is as follows:-

Band A : Below S\$50,000

Band B : S\$50,000 to below S\$100,000

Mr Atsushi Saito, the Non-executive Director, does not receive any remuneration.

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Having considered the sensitivity and confidentiality of the remuneration package, the Company took the view that disclosing the specific amount of remuneration of the independent directors may not be in the best interest of the Company. Therefore, no disclosure of the specific remuneration is made.

9.3 The remuneration of top 5 executives of the Group (who are not also directors) for FY2015 is set out below:-

Remuneration band	No of Executives
Band B	5

For the above disclosures, the category of remuneration band is as follows:-

Band A : Below S\$250,000

Band B : S\$250,000 to below S\$500,000

Band C : S\$500,000 to below S\$750,000

Having considered several factors including the competitive hiring conditions and talent retention, the Company took the view that disclosing names of the key executives, the breakdown of their remuneration and the aggregate of all their remunerations may not be in the best interest of the Company. Therefore, no such disclosure is made.

9.4 The remuneration of an employee who is an immediate family member of Mr Sidney Chew Choon Tee, for FY2015 is set out as below:-

Name of employee	Remuneration band	% Breakdown of Remuneration		
		Base salary	Bonus	Benefits in kind
Ms Liao Bin Bin (Spouse)	Band B	69%	25%	6%

For the above disclosures, the category of remuneration band is as follows:-

Band A : Below S\$250,000

Band B : S\$250,000 to S\$500,000

Band C : S\$500,000 to S\$750,000

Having considered several factors including the competitive hiring conditions and talent retention, the Company took the view that disclosing the remuneration of this employee in bands of S\$50,000 may not be in the best interest of the Company. Therefore, the remuneration is disclosed in bands consistent with the top 5 executives.

Bonus comprises of annual wage supplement and profit sharing or variable performance bonus, where appropriate, while benefits in kind refer to allowances and benefits provided. These components of remuneration include the corresponding employers' contribution to defined contribution plans.

9.5 The Company has not activated and granted any options under the Employee Share Option Scheme.

- 9.6 The remunerations of the executive directors are linked directly to the Group's financial performance through a profit sharing formula.

ACCOUNTABILITY AND AUDIT

Principle 10 *The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.*

- 10.1 In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and Group's performance, position and prospects.
- 10.2 The Board keeps itself abreast and is kept informed by management of legislative and regulatory requirements. It is also guided by the Company's Catalist sponsor of any regulatory changes in the Listing Manual of the Singapore Exchange Securities Trading Limited Section B: Rules of Catalist ("Catalist Rules").
- 10.3 The management currently provides the Board with appropriately detailed management reports of the Group's performance and position on a quarterly basis.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11 *The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

- 11.1 The Board oversees management in the area of risk management and internal control system. The Board regularly reviews and improves the Company's business and operational activities to identify areas of significant risks as well as take appropriate measures to control and mitigate these risks.
- 11.2 Management provides reports of risk management to the Board on a quarterly basis. The Company's risk management framework and internal control system covers financial, operational, compliance and information technology risks and internal controls. Internal audit is outsourced to a third party professional firm. The Audit Committee evaluates the findings of the external and internal auditors on the Group's internal controls annually.
- 11.3 The Group's internal controls are designed to provide reasonable assurance with regard to the keeping of proper accounting records, integrity and reliability of financial information, and physical safeguard of assets. Management takes into consideration the risks which the Group is exposed, the likelihood of occurrence and the cost of prevention while designing internal controls.

Based on reports submitted by the external and internal auditors, and the system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems maintained by the management that was in place throughout the financial year and up to the date of this report, the Board, with the concurrence of the Audit Committee and the assurance of the management (including the Managing Director and CFO), is of the opinion that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and (b) the Group's system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems are adequate and effective as at the date of this report.

However, the Board and management acknowledge that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human errors, losses, fraud or other irregularities.

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11.4 The Board collectively oversees risk management and does not have a separate risk committee.

AUDIT COMMITTEE

Principle 12 *The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

12.1 The Audit Committee comprises:-

Mr Chan Kam Loon	(Chairman and Lead Independent Non-executive Director)
Mr Lee Bon Leong	(Member and Independent Non-executive Director)
Dr Tay Kin Bee	(Member and Independent Non-executive Director)

The Audit Committee members are all independent non-executive directors.

12.2 The Audit Committee members have many years of experience in their respective fields of accounting, audit, financial management, law and business. The Board considers that the members of the Audit Committee are appropriately qualified to discharge the responsibilities of the Audit Committee.

12.3 The Audit Committee has the authority to investigate any matters within its terms of reference and the discretion to invite any director to attend its meetings. The management shall grant full cooperation and resources to enable it to discharge its functions properly.

12.4 The Audit Committee's main functions are to:-

- (a) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and the Group and any announcements relating to the Group's financial performance;
- (b) 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;
- (c) review effectiveness of the Company's internal audit function;
- (d) review the scope and results of the external audit and the independence and objectivity of the external auditors;
- (e) 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;
- (f) 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
- (g) review and, where appropriate, approve interested person transactions.

- 12.5 The Audit Committee meets with the internal and external auditors annually to review the adequacy of audit arrangements, with particular emphasis on the scope and quality of their audits, and the independence and objectivity of the internal and external auditors. Where necessary, the Audit Committee may meet the external or the internal auditors without presence of management.
- 12.6 The Audit Committee reviews the independence of the external auditor annually. In the selection of suitable auditing firms, the Audit Committee 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 the financial year ended 31 December 2015 in relation to its proposed listing on the stock exchange of Thailand. The Audit Committee 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.

The Audit Committee conducts an annual review of all non-audit services provided by the auditors and is satisfied that the nature of such services does not affect the independence of the external auditors.

The fees for non-audit services rendered in FY2015 amounted to S\$17,000 which is fee charged for acting as tax agent of the Company and its subsidiaries in Singapore.

Fees on audit services to independent auditors:	S\$'000
- paid by Company	103
- paid by other entities of the Group	105
Total	<u>208</u>
Other fees to independent auditors:	
- paid by Company	17
- paid by other entities of the Group	-
Total	<u>17</u>

- 12.7 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 it operates.

The Company has implemented a whistle blowing program. Under the program, employees may raise concerns about possible improprieties in financial reporting or other matters orally via a hotline or in writing. Report made anonymously will not be considered unless as directed by the Audit Committee, having taken into account factors such as the seriousness of the matter raised. Upon receipt of a concern, independent investigation and appropriate follow up action will be taken.

Corporate Governance Report

- 12.8 The Audit Committee is updated annually on any changes in accounting standards by the external auditor. A copy of the Guidebook for Audit Committee is also made available for reference when clarifications need to be sought on responsibilities of the audit committee. The Audit Committee conducted two meetings in the FY2015, during which results announcements, external audit report, internal audit report, independence of auditors, appointment of auditors and interested person transactions were reviewed, and the duties as described above were carried out.
- 12.9 No former partner or director of the Company's auditing firm has acted as a member of the Company's Audit Committee.

INTERNAL AUDIT

Principle 13 *The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.*

- 13.1 The internal auditor's primary line of reporting is to the Audit Committee. The Company cooperates fully with the internal auditor in terms of allowing access to documents and information.
- 13.2 The Company outsourced its internal audit function to an internationally recognized third party professional firm.
- 13.3 The internal auditor appointed by the Company has adequate resources and experience.
- 13.4 The Audit Committee reviews annually the adequacy and effectiveness of the internal audit function.

SHAREHOLDERS RIGHTS

Principle 14 *Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.*

- 14.1 The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company are made to shareholders of the Company, in compliance with the requirements set out in the Catalist Rules. In this respect, the Company announces its financial results to shareholders on a half-yearly basis. The Company notifies the public in advance of the date of release of its financial results through an announcement on SGXNET.
- 14.2 Shareholders are given the opportunity to participate in and vote at general meetings.
- 14.3 The Company's Articles of Association currently allows shareholder to appoint up to two proxies to attend and vote at general meetings without differentiating corporation that provide nominee or custodial services and individual shareholder.

On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" under Section 181(1C) of the Companies Act, Chapter 50, to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes person or corporation holding licences in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

As this legislative amendment is in favor to our shareholders, we will adopt this new legislation in the forthcoming annual general meeting and will seek shareholders' approval formally via special resolution for the amendment of our Articles of Association following the full implementation of the legislative changes under Companies Act, Chapter 50.

COMMUNICATION WITH SHAREHOLDERS

Principle 15 *Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

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

Please refer to Investor Relations section of this Annual Report.

- 15.2 Information is disclosed timely to our shareholders through SGXNET and is also made available on our Company's website. The Company ensures that all shareholders are treated fairly by providing all shareholders the same information at the same time. The Company does not practice selective disclosure of material information.

- 15.3 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 on-line 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 on-line Q&A are all published on SGXNET and are also made available on the Company's website, www.megachem.com and investors' relation website, www.shareinvestor.com.

- 15.4 Shareholders are given the opportunity to air their views via the online Q&A, analyst briefings and at general meetings.

- 15.5 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 market conditions. Hence it does not disclose a dividend policy to its shareholders. Nevertheless, it has been making dividend payments every year since its initial public listing. For FY2015, the Company had paid an interim dividend of 0.3 cents per share and is recommending a final tax exempt dividend of 0.7 cents per share, subject to approval at the annual general meeting.

Corporate Governance Report

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16 *Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.*

- 16.1 General meetings are held in Singapore. At such meetings, shareholders of the Company are given the opportunity to air their views and ask the directors questions regarding the Company.
- 16.2 Resolutions at general meetings are on each substantially separate issue. The Company avoids bundling resolutions unless they are interdependent and linked.
- 16.3 All directors are present at general meetings to address any questions that shareholders may have. The external auditors are also present to assist the Board in addressing queries by shareholders relating to the conduct of the audit and the preparation of and content of the auditors' report.
- 16.4 Minutes of general meeting are made available to shareholders upon their request.
- 16.5 The Company has not adopted voting by poll for all resolutions in the annual general meeting held last April 2015 but will adopt such practice for the forthcoming annual general meeting to be held in April 2016 in accordance with the requirement of the Catalist Rules.

DEALINGS IN SECURITIES

The Company has complied with the best practices pursuant to Rule 1204(19) of the Catalist Rules in relation to dealings in the Company's securities by its directors and employees. The Company has established internal policy to inform its directors and employees not to deal in the Company's shares whilst they are in possession of unpublished material price sensitive information and during the period commencing one month prior to the announcements of the Company's financial results and ending on the date of announcements of such financial results. Directors and employees are also discouraged from dealing in the Company's securities on short-term considerations.

MATERIAL CONTRACTS

Save for the Service Agreements mentioned in paragraph 9.1 above and transactions as disclosed in the "Interested Person Transactions" section below, 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.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

The aggregate value of interested person transactions entered during FY2015 were as follows:-

Name of interested person	Aggregate value of all interested person transactions during the financial year ended 31 December 2015 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 2015 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.	(Note 1)	Nil (Note 5)
Sales of products to Chori Co., Ltd, a controlling shareholder of the Company, and its associates.	(Note 2)	Nil (Note 5)
Purchase of products from Chori Co., Ltd, a controlling shareholder of the Company, and its associates.	(Note 2) S\$109,226	Nil (Note 5)
Purchase of products from SPCI Pte Ltd, a company of which Dr Tay Kin Bee is also a director.	(Note 3)	Nil (Note 5)
Short term loan from Tan Bock Chia, a director of Megachem Limited.	(Note 4)	Nil (Note 5)

Note 1 : The Group has entered into interested person transactions amounting in aggregate to S\$95,681 which fell outside the scope of Rule 905 and 906 of Catalist Rules.

Note 2 : The Group entered into sales and purchase transactions amounting to S\$5,090 and S\$747,650 respectively. Saved for the purchase transaction which amounted to S\$109,226 as disclosed in the above table, each sales and purchase transaction was below S\$100,000 which fell outside the scope of Rule 905 and 906 of Catalist Rules.

Note 3 : The Group entered into purchase transactions amounting to S\$90,778 which fell outside the scope of Rule 905 and 906 of Catalist Rules.

Note 4 : The short term loan of S\$696,640 received by the Group is interest-free. The loan remained outstanding as at 22 February 2016.

Note 5 : There was no general shareholders' mandate obtained for interested person transactions for the financial year ended 31 December 2015.

Corporate Governance Report

DIRECTORS AND COMMITTEE MEETINGS

The number of Board of Directors and other committees meetings and the record of attendance of each director for FY2015 is set out below:-

Name of Director	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	2	Na
Mr Jeffrey Tan Bock Chia	4	4	2	Na	1	Na	2	Na
Mr Lee Bon Leong	4	4	2	2	1	1	2	2
Mr Chan Kam Loon	4	4	2	2	1	1	2	2
Dr Tay Kin Bee	4	4	2	2	1	Na	2	2
Mr Atsushi Saito	4	4	2	Na	1	Na	2	Na

Na : not applicable

NON-SPONSOR FEES

No fees relating to non-sponsor services was paid to its sponsor, SAC Capital Private Limited, during the financial year ended 31 December 2015.

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, i.MAGE;
- 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 is 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 account of the financial results and operating strategy in our annual report
 - Provides investors relation strategy that indicates internal and external IR contacts as well as IR websites;
- Adopts a high level of corporate governance

In order to provide expert independent views on the Company’s performance, NRA Capital Pte Ltd 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 ask directors and management questions regarding the Company.

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, i.MAGE Pte Ltd
Tel: 6534 5122
Email: dolores.phua@citigatedrimage.com

For more information, please visit www.megachem.com

Investor Relations



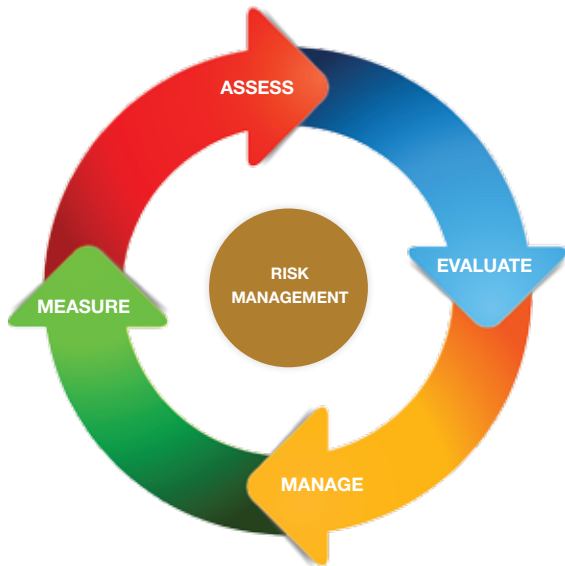
ACCOLADES

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

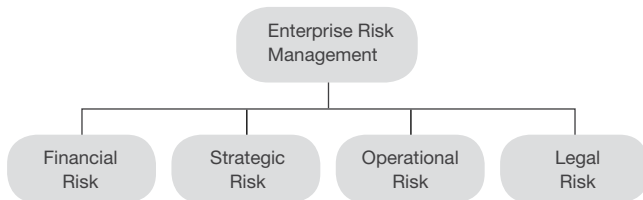
2015	<p>Singapore Corporate Awards : Best Managed Board (Gold), Best Chief Financial Officer, Best Annual Report Award (Silver) and Best Investor Relations Award (Bronze) in the “less than \$300 million market capitalisation” category</p> <p>SIAS Investors’ Choice Awards : Most Transparent Company (Runner up) (Catalist category)</p> <p>Ranked 60th in the BT Governance and Transparency Index</p> <p>IR Magazine Awards : Best Investor Relations by an SGX Catalist company</p>	2012	<p>Singapore Corporate Awards : Annual Report 2011 (category for companies with less than \$300 million market capitalisation) - Bronze</p> <p>Ranked 115th in the BT Governance and Transparency Index</p>
2014	<p>Singapore Corporate Awards : Best Investor Relations Award (Bronze) and Best Annual Report Award (Bronze) in the “less than \$300 million market capitalisation” category</p> <p>Ranked 64th in the BT Governance and Transparency Index</p>	2011	<p>Singapore Corporate Awards : Annual Report 2010 (category for companies with less than \$300 million market capitalisation) – Bronze</p> <p>Ranked 62nd in the BT Governance and Transparency Index</p>
2013	<p>SIAS Investors’ Choice Awards : Most Transparent Company (Catalist category)</p> <p>Singapore Corporate Awards : Annual Report 2012 (category for companies with less than \$300 million market capitalisation) - Silver</p> <p>IR Magazine Awards : Best Investor Relations by an SGX Catalist company</p> <p>Ranked 49th in the BT Governance and Transparency Index</p>	2010	<p>Ranked 235th in the BT Governance and Transparency Index</p>
		2009	<p>Ranked 196th in the BT Governance and Transparency Index</p>
		2007	<p>Singapore Corporate Awards : Annual Report 2006 (Sesdaq category) - Bronze</p>
		2006	<p>Singapore Corporate Awards : Annual Report 2005 (Sesdaq category) - Silver</p>

Risk Management

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.



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



> 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.

> 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.

> 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 from 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 jeopardise 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 be awarded SS540 Singapore Standards for Business Continuity Management for our BCM program.

> 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. Recognising 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 in educational programs and exercises to keep ourselves up to speed with their rules and regulations. (For more information, please refer to Sustainability : Health, Safety and Environment section.)

• Stock Exchange Listing Rules

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

CHAIRMAN'S STATEMENT OF COMMITMENT

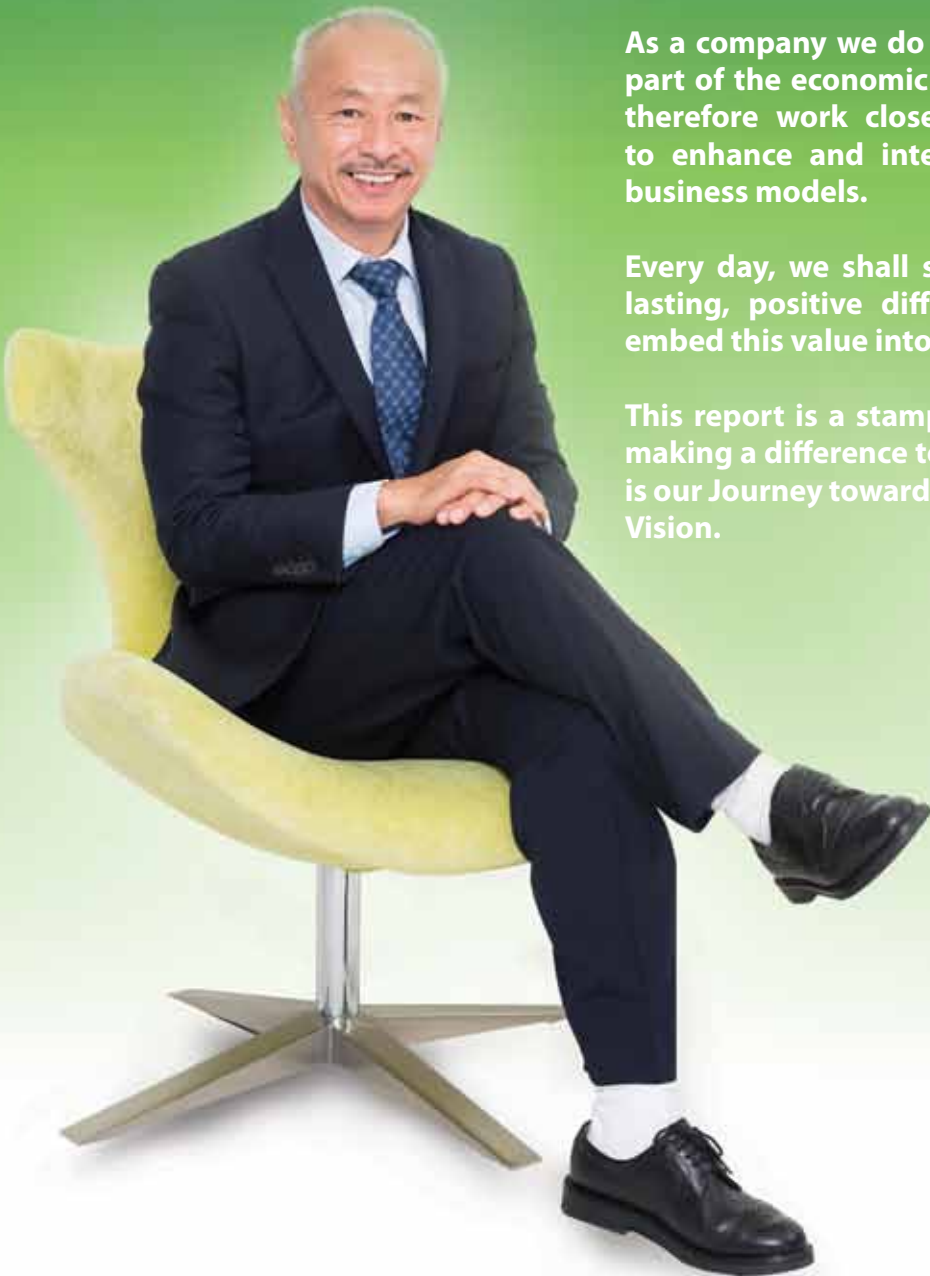
At Megachem, we view Sustainability in terms of a shared responsibility towards improving not only our business but also our planet and our lives.

Today our world is confronted with unprecedented challenges such as climate change, scarcity of natural resources, human health and safety.

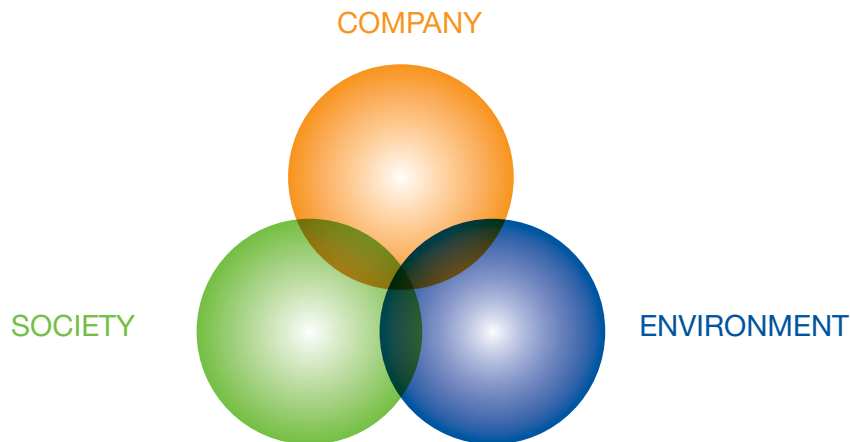
As a company we do not exist in a vacuum. We are part of the economic and social ecosystem. We will therefore work closely with all our stakeholders to enhance and integrate sustainability into our business models.

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

This report is a stamp of our commitment towards making a difference to our planet and our lives. This is our Journey towards the Megachem Sustainability Vision.



Sustainability



MEGACHEM SUSTAINABILITY VISION

For Megachem, sustainability means aligning 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.

As a guiding principle, our Megachem Sustainability Vision seeks 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 rules and regulations,
- manage our risk to safeguard our economic sustainability; and
- be a responsible member of society.

> HEALTH, SAFETY AND ENVIRONMENT

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

Our plants are built to meet stringent regulatory requirements in relation to HSE and our processes are designed with features to reduce HSE 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.



Emergency Response Exercise

We work continually to ensure that our products pose no risk to people or the environment when they are used responsibly and in the manner intended. Material Safety and Data Sheets detailing HSE measures are available for all products that we handle.

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. It is currently implemented across the Group.



The framework for our HSE management is modeled after international standards. We have attained international certification such as the ISO 14001:2004 and OHSAS 18001:2007 certification and are now a member of the Responsible Care Program. 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 annually to ensure that our HSE programs consistently meet international standards.

Currently not all entities within the Group are on board the ISO and Responsible Care program. We are however committed in rolling out these initiatives across our Group as soon as possible.

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, Turkey and Thailand (coming in year 2016), 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.



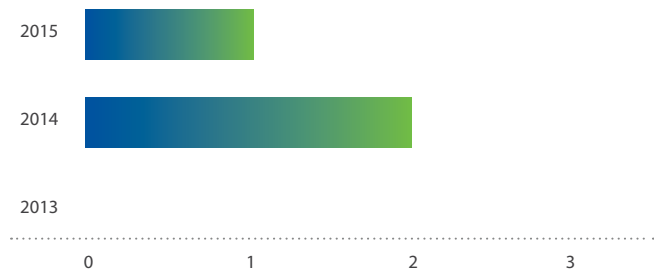
Megachem's employees operate a large number of vehicles such as delivery trucks, high reach trucks and forklift trucks on our company's premise and on public roads every day. This has serious risks and hazards associated with it and can cause significant harm to the environment as well as humans if accidents occur.

At Megachem, we are aware of the risk 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 (PPE) such as helmet, safety shoes, reflective clothing at work. Pathways are appropriately indicated in Megachem's premises. Thanks to the programme 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.

NO OF INDUSTRIAL ACCIDENT (SINGAPORE)

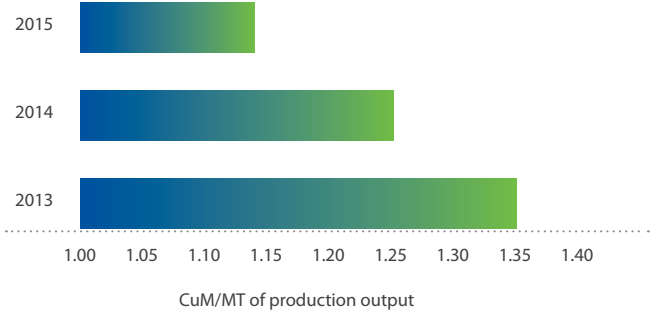


Sustainability

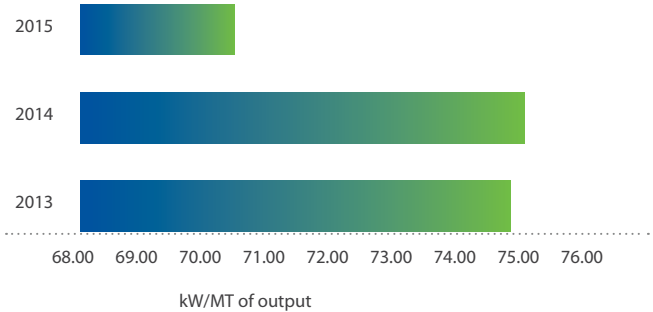
The production and use of chemicals in workplaces present one of the most significant challenges in workplace protection programs. As part of our company's efforts, we strive to ensure the safety and health of the employees in Megachem. Workplace safety and health is an important practice towards this goal. In order to enhance and promote safety awareness among staff and the neighbours of Megachem, Safety Day programme is organized for all our employees. 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 includes safety video sharing, safety quiz and safety games.



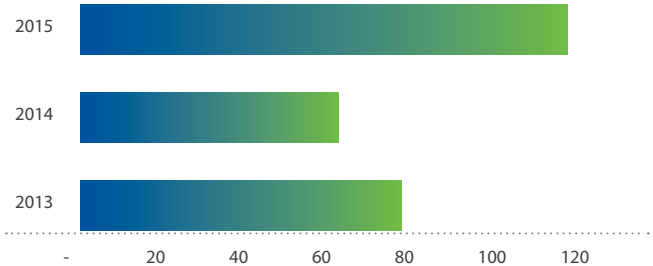
WATER CONSUMPTION (SINGAPORE)



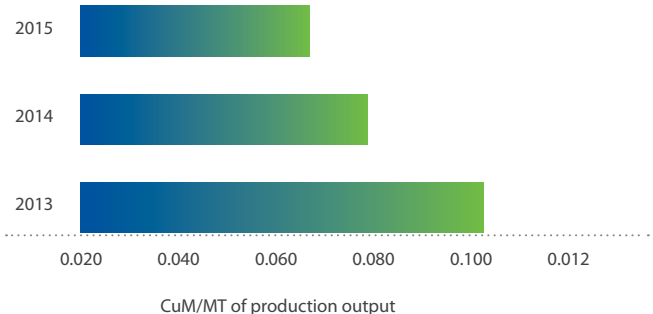
ELECTRICITY CONSUMPTION (SINGAPORE)



PAPER USAGE \$\$/EMPLOYEE (SINGAPORE)



WASTE WATER GENERATION (SINGAPORE)



We are committed to energy efficiency and conservation of resources. Our efforts in this area includes reducing paper, electricity and water consumption, reducing waste water, paper recycling and adopting proper chemical waste treatment methods.

Most of our office lighting systems uses energy saving features to reduce electricity consumption.

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 transmitted electronically to other entities within our Group.



Euro V compliant trucks

Most of our delivery trucks are in compliance with the EURO V standard which helps to reduce the emission of CO₂ and other gases.

> SUSTAINABLE HUMAN CAPITAL

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



Charity Run

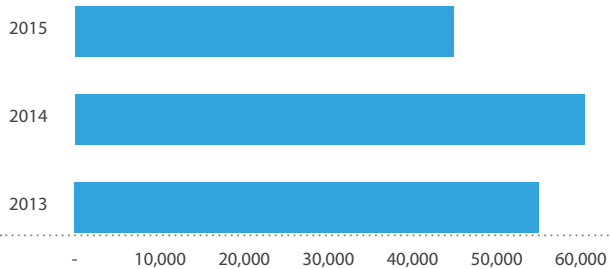
With a view to maintaining the employability of our workforce, increased focus is placed on preventive health care. Regular health screening examinations and a wide range of sporting activities are examples of what we do to positively influence employees' health. We also provide comprehensive health insurances to our employees to help defray part of their medical costs.

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.

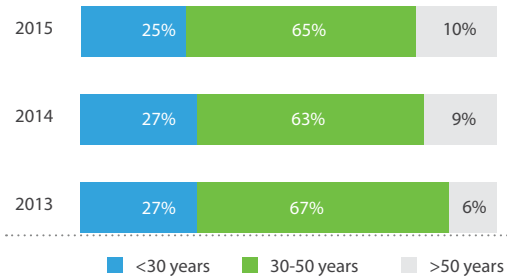
As a Work Life Achiever Award recipient, Megachem commits to create and sustain a working environment supportive of work life balance for all employees where they are respected partners of the business.

Sustainability

TRAINING (\$\$)



EMPLOYEE AGE DISTRIBUTION



Our Higher Learning Education program provides financial assistance to eligible employees who choose to further their professional education and training (“PET”) that will enhance their knowledge and skills.

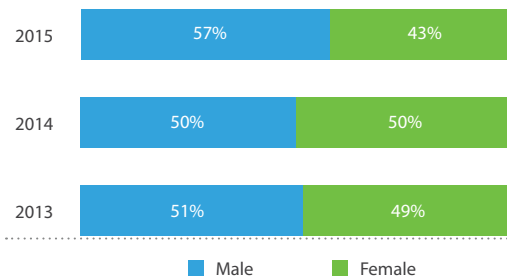


Megachem is a certified “People Developer” organisation in Singapore. “People Developer” is a certification awarded by Spring Singapore to companies which have achieved the niche Business Excellence standard for human resource development. This niche standard provides us with a total approach to attracting,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

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.

Megachem will never discriminate against its employees on grounds of race, religion, gender, marital status or age.

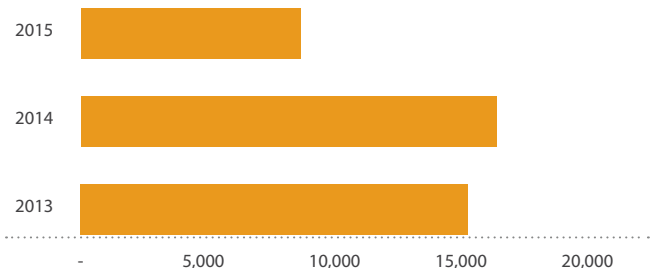
GENDER DIVERSITY



> COMMUNITY

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 these organizations’ activities. Annually, Megachem visits several charitable homes during which we make monetary contribution as well as provide basic necessities to them. We also participate annually in several fund-raising events and in youth development program.

DONATION (\$\$)





Our colleagues in Vietnam donated food to an orphanage and visits them annually.



Enthusiastic staff in our UK office volunteered at St Mary's Church for a day and helped maintain the overgrown churchyard.



Grocery shopping with the elderly in Singapore.



Distributing foodstuffs to the elderly in Malaysia.

> GOVERNANCE

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.

You can read more about our Corporate Governance approach and practices on page 43.

> RISK MANAGEMENT

Risk management is an integral part of Megachem's business, at both the strategic and operational level. A robust risk management supports the achievement of our business objective, thereby providing sustainability to our business and preserving shareholders' value.

You can read more about our how we manage our risks on page 63.

In recent years there has been an increasing awareness of sustainability issues and higher expectations from customers and suppliers on our sustainability practices. Megachem welcomes them to conduct audit on our operations during which we value their feedback and input so that we can make continual improvement.



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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 2015.

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 in office at date of statement

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
Atsushi Saito
Tay Kin Bee

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 the share capital of the Company 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:

Name of directors	Direct Interest		Deemed Interest	
	At 1.1.15	At 31.12.15	At 1.1.15	At 31.12.15
	Number of shares of no par value			
Chew Choon Tee	45,986,316	45,995,316	444,296	444,296
Tan Bock Chia	23,110,883	24,639,483	–	–
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 2016 were the same as those at the end of the year.

Statement by Directors

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 any subsidiary in the Group was granted.

During the reporting year, there were no shares of the Company or any subsidiary in the Group 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 of the Company or any subsidiary in the Group 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, Lead Independent Non- executive Director)
Mr Lee Bon Leong	(Independent Non-executive Director)
Dr Tay Kin Bee	(Independent Non-executive Director)

The Audit Committee carried out its function in accordance with section 201B(5) of the Singapore Companies Act. 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.

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 auditors' objectivity and independence is safeguarded where the independent auditors provide non-audit services.

The Audit Committee has recommended to the Board of Directors that the independent auditors, RSM Chio Lim LLP, be nominated for re-appointment as independent auditors 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 2015.

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 22 February 2016, 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
Executive Chairman and Managing Director

Tan Bock Chia
Executive Director

22 February 2016

Independent Auditor's Report

To the Members of Megachem Limited (Registration No: 198803293M)

Report on the financial statements

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 2015, 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, and significant accounting policies and other explanatory information.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

To the Members of Megachem Limited (Registration No: 198803293M)

Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group for the reporting year ended on that date.

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.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

22 February 2016

Partner-in-charge of audit: Eu Chee Wei David
Effective from year ended: 31 December 2012

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2015

	Notes	Group	
		2015	2014
		\$	\$
Revenue	3	110,560,267	115,924,269
Cost of sales		(85,190,824)	(92,468,197)
Gross profit		25,369,443	23,456,072
Other income	3	288,170	470,213
Distribution costs		(13,825,310)	(12,544,898)
Administrative expenses		(4,940,134)	(4,851,510)
Other operating expenses		(2,811,568)	(2,790,018)
Finance costs	5	(592,558)	(492,075)
Share of profit of associated companies	13	897,508	1,011,364
Profit before income tax		4,385,551	4,259,148
Income tax expense	7	(1,101,457)	(1,066,939)
Net profit		3,284,094	3,192,209
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations, net of tax		(1,261,173)	178,358
Total comprehensive income		2,022,921	3,370,567
Net profit attributable to equity holders of the Company		2,955,375	2,777,724
Net profit attributable to non-controlling interests		328,719	414,485
Net profit		3,284,094	3,192,209
Total comprehensive income attributable to equity holders of the Company		1,613,346	2,932,213
Total comprehensive income attributable to non-controlling interests		409,575	438,354
Total comprehensive income		2,022,921	3,370,567
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
Basic and diluted	9	2.22	2.08

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

Statements of Financial Position

As at 31 December 2015

	Notes	Group		Company	
		2015	2014	2015	2014
		\$	\$	\$	\$
ASSETS					
Non-current assets					
Property, plant and equipment	10	12,445,028	13,971,668	1,846,867	2,076,931
Investment property	11	88,290	104,696	–	–
Investments in subsidiaries	12	–	–	5,439,769	5,019,751
Investments in associated companies	13	5,198,955	6,762,102	99,949	99,949
Transferable club memberships	14	26,963	30,307	4,001	4,001
Total non-current assets		17,759,236	20,868,773	7,390,586	7,200,632
Current assets					
Inventories	15	21,003,149	21,517,159	11,066,445	10,791,527
Trade and other receivables	16	25,860,679	29,975,725	15,312,290	18,823,863
Financial assets at fair value through profit or loss	17	142,186	147,040	121,158	100,000
Other current assets	18	1,874,837	1,825,261	279,562	854,565
Cash and cash equivalents	19	11,059,729	8,999,243	3,630,363	2,204,579
Total current assets		59,940,580	62,464,428	30,409,818	32,774,534
Total assets		77,699,816	83,333,201	37,800,404	39,975,166
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Company					
Share capital	20	15,892,028	15,892,028	15,892,028	15,892,028
Other reserves	21	(3,882,334)	(2,540,305)	–	–
Retained earnings		30,186,070	28,571,092	4,797,132	3,151,657
		42,195,764	41,922,815	20,689,160	19,043,685
Non-controlling interests		2,888,052	2,596,136	–	–
Total equity		45,083,816	44,518,951	20,689,160	19,043,685
Non-current liabilities					
Deferred tax liabilities	7	–	21,059	–	20,000
Borrowings	22	3,710,594	2,850,000	–	–
Total non-current liabilities		3,710,594	2,871,059	–	20,000
Current liabilities					
Current income tax liabilities		212,434	337,638	64,071	51,266
Trade and other payables	23	14,083,909	16,485,621	7,216,879	5,746,052
Borrowings	22	14,558,468	19,068,847	9,829,813	15,114,163
Financial liabilities at fair value through profit or loss	24	50,595	51,085	481	–
Total current liabilities		28,905,406	35,943,191	17,111,244	20,911,481
Total liabilities		32,616,000	38,814,250	17,111,244	20,931,481
Total equity and liabilities		77,699,816	83,333,201	37,800,404	39,975,166

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

Statement of Changes in Equity

Year Ended 31 December 2015

	Notes	Total Equity	Parent Subtotal	Share Capital	Other Reserves	Retained Earnings	Non-Controlling Interests
		\$	\$	\$	\$	\$	\$
Group:							
Current year:							
Opening balance at 1 January 2015		44,518,951	41,922,815	15,892,028	(2,540,305)	28,571,092	2,596,136
Total comprehensive income for the reporting year		2,022,921	1,613,346	–	(1,342,029)	2,955,375	409,575
Final dividend relating to 2014 paid	8	(933,100)	(933,100)	–	–	(933,100)	–
Interim dividend relating to 2015 paid	8	(399,900)	(399,900)	–	–	(399,900)	–
Prior years unclaimed dividends refunded		103	103	–	–	103	–
Prior year unclaimed dividends paid		(7,500)	(7,500)	–	–	(7,500)	–
Final dividend paid to non-controlling interests		(117,659)	–	–	–	–	(117,659)
Closing balance at 31 December 2015		45,083,816	42,195,764	15,892,028	(3,882,334)	30,186,070	2,888,052
Previous year:							
Opening balance at 1 January 2014		42,508,323	40,315,699	15,892,028	(2,694,794)	27,118,465	2,192,624
Total comprehensive income for the reporting year		3,370,567	2,932,213	–	154,489	2,777,724	438,354
Final dividend relating to 2013 paid	8	(933,100)	(933,100)	–	–	(933,100)	–
Interim dividend relating to 2014 paid	8	(399,900)	(399,900)	–	–	(399,900)	–
Prior years unclaimed dividends refunded		7,903	7,903	–	–	7,903	–
Final dividend paid to non-controlling interests		(34,842)	–	–	–	–	(34,842)
Closing balance at 31 December 2014		44,518,951	41,922,815	15,892,028	(2,540,305)	28,571,092	2,596,136

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

Consolidated Statement of Cash Flows

Year Ended 31 December 2015

	Note	2015 \$	2014 \$
<u>Cash flows from operating activities</u>			
Net profit		3,284,094	3,192,209
Adjustments for:			
Change in fair value of financial assets		(10,000)	(60,000)
Depreciation charge		1,472,894	1,513,262
Dividend income		(2,137)	(516)
Loss/ (gain) on disposal of property, plant and equipment		105	(5,167)
Share of profit of associated companies		(897,508)	(1,011,364)
Income tax expense		1,101,457	1,066,939
Interest income		(64,948)	(42,105)
Finance costs		592,558	492,075
Operating cash flow before working capital changes		5,476,515	5,145,333
Change in operating assets and liabilities			
Trade and other receivables		3,927,379	(3,886,043)
Inventories		308,681	(1,693,086)
Financial assets at fair value through profit or loss		14,854	45,648
Trade and other payables		(1,594,874)	1,411,351
Financial liabilities at fair value through profit or loss		(490)	5,329
Foreign exchange adjustment differences		76,698	(41,084)
Cash generated from operations		8,208,763	987,448
Income tax paid		(1,317,425)	(946,772)
Interest received		64,948	42,105
Net cash from operating activities		6,956,286	82,781
<u>Cash flows from investing activities</u>			
Dividends received from associated company and listed equity securities		2,298,202	755,012
Purchase of property, plant and equipment	19B	(1,323,666)	(2,835,538)
Proceeds from sale of property, plant and equipment		4,843	5,896
Net cash from/(used in) investing activities		979,379	(2,074,630)
<u>Cash flows from financing activities</u>			
Dividends paid		(1,333,000)	(1,333,000)
Dividends paid by subsidiary to non-controlling shareholders		(117,659)	(34,842)
Proceeds from/(repayments of) long term bank loans		1,098,935	(600,000)
(Repayments of)/proceeds from bill payables		(3,695,406)	3,394,452
(Repayments of)/proceeds from short term bank loans		(1,077,481)	1,567,831
(Payments)/refunds of prior years unclaimed dividends		(7,397)	7,903
Interest paid		(599,799)	(464,052)
Net cash (used in)/from financing activities		(5,731,807)	2,538,292
Net increase in cash and cash equivalents		2,203,858	546,443
Cash and cash equivalents, statement of cash flows, beginning balance		8,999,243	8,439,428
Effects of exchange rate changes on cash and cash equivalents		(143,372)	13,372
Cash and cash equivalents, statement of cash flows, ending balance	19A	11,059,729	8,999,243

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

Notes to the Financial Statements

31 December 2015

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 the subsidiaries.

The Board of Directors approved and authorised these financial statements for issue on the date of the statement by directors.

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 12 below.

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

Accounting convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs need not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.

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 in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are 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, including income, expenses and cash flows 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. Control exists when the Group has the power to govern the financial and operating policies so as to gain benefits from its activities.

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 FRS 39.

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.

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.

Notes to the Financial Statements

31 December 2015

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the ordinary activities of the entity and it is shown net of any related sales taxes, estimated returns and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services that are of short duration is recognised when the services are completed. Revenue from rendering of long-term services is recognised by reference to the stage of completion of the transaction at the end of the reporting year determined by services performed to date as a percentage of total services and the amount of revenue, stage of completion, and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Rental revenue 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 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.

Government grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. Grants in recognition of specific expenses are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis. A grant related to depreciable assets is allocated to income over the period in which such assets are used in the project subsidised by the grant. A government grant related to assets, including non-monetary grants at fair value, is presented in the statement of financial position by setting up the grants as deferred income.

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.

Notes to the Financial Statements

31 December 2015

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 recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

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).

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, the assets and liabilities denominated in currencies other than the presentation currency of the Company are translated at year end rates of exchange and the income and expense items are translated at average rates of exchange for the 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 entity.

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.

Notes to the Financial Statements

31 December 2015

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

2A. Significant accounting policies (cont'd)

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. 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.

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 FRS 103 Business Combinations. However the entire carrying amount of the investment is tested under FRS 36 for impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in FRS 39 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 FRS 39 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.

Notes to the Financial Statements

31 December 2015

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

2A. Significant accounting policies (cont'd)

Property, plant and equipment

Freehold land is not depreciated.

Depreciation on other items of property, plant and equipment is provided on a straight-line basis to allocate the gross carrying amounts less their residual values over their estimated useful lives of each part of an item of these assets. The estimated 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

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.

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. 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.

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Investment property

Investment property is property owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or 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.

The estimated useful lives are as follows:

Buildings on freehold land	–	50 years
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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 less costs to sell. For disclosure purposes, the fair values are determined periodically on a systematic basis once in five years by external independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of property being valued.

Notes to the Financial Statements

31 December 2015

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

2A. Significant accounting policies (cont'd)

Leases

Whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is not practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Business combinations

Business combinations are accounted for by applying the acquisition method. Goodwill and fair value adjustments resulting from the application of purchase accounting at the date of acquisition are treated as assets and liabilities of the foreign entity and are recorded at the exchange rates prevailing at the acquisition date and are subsequently translated at the period end exchange rate.

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.

Notes to the Financial Statements

31 December 2015

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

2A. Significant accounting policies (cont'd)

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

Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: Assets are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to assets at fair value through profit or loss are recognised directly in profit or loss. They are classified as non-current assets unless management intends to dispose of the asset within 12 months of the end of the reporting year.

Notes to the Financial Statements

31 December 2015

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

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.
3. Held-to-maturity financial assets: As at year end date there were no financial asset classified in this category.
4. Available-for-sale financial assets: As at year end date there were no financial asset classified in this category.

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.

Hedging

The Group is exposed to currency and interest rate risks. The policy is to reduce currency and interest rate exposures through hedging instruments. These instruments are not used for trading or speculative purposes. The gain or loss from remeasuring these hedging instruments at fair value are recognised in profit or loss. The hedging instruments used are described below in the notes to the financial statements.

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Notes to the Financial Statements

31 December 2015

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

2A. Significant accounting policies (cont'd)

Financial liabilities (cont'd)

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount measured in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.
2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

Fair value measurement

Fair value is taken to be 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 (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. 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. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

Notes to the Financial Statements

31 December 2015

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

2A. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

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.

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.

2B. 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.

Allowance for doubtful trade accounts:

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and 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.

Notes to the Financial Statements

31 December 2015

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

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

Income tax expense:

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues if any based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

3. Revenue and other income

	Group	
	2015	2014
	\$	\$
Sale of goods	107,207,740	112,766,766
Rendering of services	3,352,527	3,157,503
Total sales	110,560,267	115,924,269
Other income		
- Bad trade receivables recovered	70,198	63,382
- Changes in fair value of financial assets at fair value through profit or loss	42,176	107,040
- Dividend income from quoted corporations	2,137	516
- Gain on disposal of property, plant and equipment	-	5,167
- Government grant	92,262	40,653
- Interest income – banks	64,948	42,105
- Management fees	-	4,659
- Net foreign exchange translation gain	-	189,580
- Rental income	16,449	17,111
Other income	288,170	470,213
Total sales and other income	110,848,437	116,394,482

Notes to the Financial Statements

31 December 2015

4. Expense by nature

	Group	
	2015	2014
	\$	\$
Cost of inventories (Note 15)	81,085,007	87,363,789
Depreciation of investment property (Note 11)	3,337	3,639
Depreciation of property, plant and equipment (Note 10)	1,469,557	1,509,623
Employee compensation (Note 6)	13,260,270	12,259,806
Changes in fair value of financial liabilities at fair value through profit or loss (Note 24)	50,595	51,085
Net foreign exchange translation loss	83,054	-
Impairment of doubtful trade receivables	104,377	120,654
Rental on operating leases	2,697,824	2,097,666
Inventories written off (Note 15)	285,874	715,975
Other expenses	7,727,941	8,532,386

5. Finance costs

	Group	
	2015	2014
	\$	\$
Interest expense:		
- bills payable to banks	280,582	287,217
- term bank loans	311,976	204,858
Total finance costs	592,558	492,075

6. Employee compensation

	Group	
	2015	2014
	\$	\$
Wages and salaries	12,014,542	11,277,487
Contributions to defined contribution plans	1,245,728	982,319
Total employee compensation (Note 4)	13,260,270	12,259,806

Notes to the Financial Statements

31 December 2015

7. Income tax expense

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

	Group	
	2015	2014
	\$	\$
<u>Current tax expense:</u>		
Current tax expense	1,120,725	1,075,444
Under adjustments to current tax in respect of prior periods	1,791	10,436
Subtotal	<u>1,122,516</u>	<u>1,085,880</u>
<u>Deferred tax (income):</u>		
Deferred tax (income)	(21,059)	(18,941)
Subtotal	<u>(21,059)</u>	<u>(18,941)</u>
Total income tax expense	<u><u>1,101,457</u></u>	<u><u>1,066,939</u></u>

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 % (2014: 17.0 %) to profit before income tax as a result of the following differences:

	Group	
	2015	2014
	\$	\$
Profit before tax	4,385,551	4,259,148
Less: share of profit of associated companies	(897,508)	(1,011,364)
	<u>3,488,043</u>	<u>3,247,784</u>
Income tax expense at the above rate	592,967	552,123
Not deductible items	73,985	50,765
Tax exemptions	(37,194)	(30,585)
Under adjustments to current tax in respect of prior periods	1,791	10,436
Effect of different tax rates, rebates and incentives	301,730	227,762
Unrecognised deferred tax asset	168,178	256,438
Total income tax expense	<u>1,101,457</u>	<u>1,066,939</u>

7B. Deferred tax income recognised in profit or loss include:

	Group	
	2015	2014
	\$	\$
<u>Deferred tax liabilities:</u>		
Excess of net book value of plant and equipment over tax values	13,029	20,580
<u>Deferred tax assets:</u>		
Provisions	(34,088)	(39,521)
Total deferred tax income recognised in profit or loss	<u>(21,059)</u>	<u>(18,941)</u>

Notes to the Financial Statements

31 December 2015

7. Income tax expense (cont'd)

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

Deferred tax liabilities

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

	Group	
	2015	2014
	\$	\$
<u>Deferred tax liabilities:</u>		
Excess of net book value of plant and equipment over tax values	211,298	198,269
<u>Deferred tax assets:</u>		
Provisions	(211,298)	(177,210)
Total deferred tax liability	<u>-</u>	<u>21,059</u>
	Company	
	2015	2014
	\$	\$
<u>Deferred tax liabilities:</u>		
Excess of net book value of plant and equipment over tax values	190,915	188,935
<u>Deferred tax assets:</u>		
Provisions	(190,915)	(168,935)
Total deferred tax liability	<u>-</u>	<u>20,000</u>

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 \$3,273,000 and \$4,974,000 (2014: \$2,942,000 and \$4,074,000) 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 \$1,234,000 which will expire between 2017 to 2022. Unutilised capital allowances do not have expiry dates.

8. Dividends

	Group and Company	
	2015	2014
	\$	\$
Final tax exempt dividend paid of 0.7 cents (2014: tax exempt 0.7 cents) per share in respect of the previous reporting year	933,100	933,100
Interim tax exempt dividend paid of 0.3 cents (2014: tax exempt 0.3 cents) per share in respect of current reporting year	399,900	399,900
Total dividends paid in the year	<u>1,333,000</u>	<u>1,333,000</u>

Notes to the Financial Statements

31 December 2015

8. Dividends (cont'd)

In respect of the current year, the directors propose that a final tax exempt dividend of 0.7 cents per share with a total of \$933,100 be paid to shareholders after the annual general meeting to be held on 15 April 2016. 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 for 2015 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	
	2015	2014
The calculation of earnings per share is based on the following:		
Net profit for the year attributable to equity holders of the Company (\$)	<u>2,955,375</u>	<u>2,777,724</u>
Weighted average number of ordinary shares on issue for basic earnings per share	<u>133,300,000</u>	<u>133,300,000</u>

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.

Notes to the Financial Statements

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10. Property, plant and equipment

	Freehold land and buildings	Buildings on leasehold land	Machinery and equipment	Motor vehicles	Computer equipment, furniture and fixtures	Total
	\$	\$	\$	\$	\$	\$
Group						
<u>Cost</u>						
At 1 January 2014	556,617	10,432,885	4,670,961	1,484,558	5,572,902	22,717,923
Currency translation differences	(90,466)	14,846	(52)	9,814	8,433	(57,425)
Additions	3,208,394	–	132,889	251,140	133,226	3,725,649
Disposals	–	–	–	(20,363)	(253,808)	(274,171)
Reclassification	–	(11,500)	11,500	–	–	–
At 31 December 2014	3,674,545	10,436,231	4,815,298	1,725,149	5,460,753	26,111,976
Currency translation differences	(473,928)	24,277	(4,128)	(26,245)	(58,316)	(538,340)
Additions	95,520	–	82,192	–	220,282	397,994
Disposals	–	–	(5,308)	–	(12,310)	(17,618)
At 31 December 2015	3,296,137	10,460,508	4,888,054	1,698,904	5,610,409	25,954,012
<u>Accumulated depreciation</u>						
At 1 January 2014	115,660	2,494,992	2,623,036	1,075,849	4,579,714	10,889,251
Currency translation differences	(2,285)	2,207	(92)	7,976	7,070	14,876
Depreciation charge	3,209	346,663	625,634	201,433	332,684	1,509,623
Disposals	–	–	–	(20,363)	(253,079)	(273,442)
At 31 December 2014	116,584	2,843,862	3,248,578	1,264,895	4,666,389	12,140,308
Currency translation differences	(15,037)	3,894	(7,283)	(16,486)	(53,300)	(88,212)
Depreciation charge	3,036	345,279	619,986	164,554	336,702	1,469,557
Disposals	–	–	(1,731)	–	(10,938)	(12,669)
At 31 December 2015	104,583	3,193,035	3,859,550	1,412,963	4,938,853	13,508,984
<u>Net book value</u>						
At 1 January 2014	440,957	7,937,893	2,047,925	408,709	993,188	11,828,672
At 31 December 2014	3,557,961	7,592,369	1,566,720	460,254	794,364	13,971,668
At 31 December 2015	3,191,554	7,267,473	1,028,504	285,941	671,556	12,445,028

Notes to the Financial Statements

31 December 2015

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

	Buildings on leasehold land	Machinery and equipment	Motor vehicles	Computer equipment, furniture and fixtures	Total
	\$	\$	\$	\$	\$
Company					
<u>Cost</u>					
At 1 January 2014	3,585,968	401,646	537,772	3,578,879	8,104,265
Additions	–	125,589	188,323	21,986	335,898
Disposals	–	–	–	(217,256)	(217,256)
Reclassification	(11,500)	11,500	–	–	–
At 31 December 2014	3,574,468	538,735	726,095	3,383,609	8,222,907
Additions	–	38,680	–	77,386	116,066
At 31 December 2015	3,574,468	577,415	726,095	3,460,995	8,338,973
<u>Accumulated depreciation</u>					
At 1 January 2014	2,041,813	336,106	367,898	3,269,612	6,015,429
Depreciation charge	119,084	37,051	92,700	98,968	347,803
Disposals	–	–	–	(217,256)	(217,256)
At 31 December 2014	2,160,897	373,157	460,598	3,151,324	6,145,976
Depreciation charge	119,149	42,912	85,580	98,489	346,130
At 31 December 2015	2,280,046	416,069	546,178	3,249,813	6,492,106
<u>Net book value</u>					
At 1 January 2014	1,544,155	65,540	169,874	309,267	2,088,836
At 31 December 2014	1,413,571	165,578	265,497	232,285	2,076,931
At 31 December 2015	1,294,422	161,346	179,917	211,182	1,846,867

Notes to the Financial Statements

31 December 2015

11. Investment property

	Group	
	2015	2014
	\$	\$
At cost:		
Balance at beginning of year	158,128	161,200
Currency translation difference	(20,100)	(3,072)
Balance at end of year	<u>138,028</u>	<u>158,128</u>
Accumulated depreciation:		
Balance at beginning of year	53,432	50,852
Depreciation charge	3,337	3,639
Currency translation difference	(7,031)	(1,059)
Balance at end of year	<u>49,738</u>	<u>53,432</u>
Net book value:		
Balance at beginning of year	<u>104,696</u>	110,348
Balance at end of year	<u>88,290</u>	<u>104,696</u>
Fair value:		
Fair value at end of year	<u>288,667</u>	295,000
Rental and service income from investment property	<u>16,449</u>	17,111
	Gross floor area	Tenure of land
Description / Location		
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 measured in June 2015 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 based on a valuation made by independent professional valuer, Jones Lang Wootton on a systematic basis at least once in five years. The firm holds a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued. 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.

The investment property was leased out for the years ended 31 December 2015 and 31 December 2014.

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

Notes to the Financial Statements

31 December 2015

12. Investments in subsidiaries

	Company	
	2015	2014
	\$	\$
Movements during the year at cost:		
Balance at beginning of year	5,019,751	4,484,251
Acquisitions	420,018	800,000
Less : allowance for impairment	-	(264,500)
Balance at end of year	<u>5,439,769</u>	<u>5,019,751</u>
Net book value of subsidiaries	<u>22,905,375</u>	<u>22,533,630</u>
Total cost comprising:		
Unquoted equity shares at cost	6,500,579	6,080,561
Allowance for impairment	<u>(1,060,810)</u>	<u>(1,060,810)</u>
Total at cost	<u>5,439,769</u>	<u>5,019,751</u>

The above is after the following allowance for impairment:

	Company	
	2015	2014
	\$	\$
Balance at beginning of year	1,060,810	796,310
Impairment loss charge to profit or loss	-	264,500
Balance at end of year	<u>1,060,810</u>	<u>1,060,810</u>

The impairment loss recorded for the reporting year 2014 relates to subsidiary MG Chemicals (Australia) Pty Ltd. The lower than expected performance of this subsidiary was considered sufficient evidence to trigger the impairment test. The impairment test resulted in the recognition of a loss.

Details of the subsidiaries are as follows:

**Name of subsidiary, principal activities,
country of incorporation and place of operations**

	Equity holding	
	2015	2014
	%	%
<u>Held by the Company</u>		
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

Notes to the Financial Statements

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12. Investments in subsidiaries (cont'd)

Name of subsidiary, principal activities, country of incorporation and place of operations	Equity holding	
	2015	2014
	%	%
Megachem Phils., Inc ^(b) Trading in chemicals and chemical-related products Philippines	90	90
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
MGI Chemicals Private Limited ^(b) Trading in chemicals and chemical-related products India	99	99
Megachem Vietnam Company Limited ^(b) Trading in chemicals and chemical-related products Vietnam	100	100
MG Chemicals (Australia) Pty Ltd ^(c) Trading in chemicals and chemical-related products Australia	100	100

Notes to the Financial Statements

31 December 2015

12. Investments in subsidiaries (cont'd)

Name of subsidiary, principal activities, country of incorporation and place of operations	Equity holding	
	2015	2014
	%	%
<u>Held by subsidiaries</u>		
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
MGI Chemicals Private Limited ^(b) Trading in chemicals and chemical-related products India	1	1

(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) Not audited as relieved from the requirement to prepare and lodge an audited financial report with the local authorities.

There are no subsidiaries that have non-controlling interests that are considered material to the reporting entity.

13. Investments in associated companies

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Carrying value:				
Unquoted equity shares at cost			99,949	99,949
Movements in carrying value during the year:				
Balance at beginning of year	6,762,102	6,239,604		
Currency translation difference	(164,590)	265,630		
Share of profit for the year	897,508	1,011,364		
Dividends received, net of tax	(2,296,065)	(754,496)		
Balance at end of year	5,198,955	6,762,102		
Share of net book value of associated companies	5,198,955	6,762,102		

Notes to the Financial Statements

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13. 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

	Equity holding	
	2015	2014
	%	%
Megachem (Thailand) Limited *		
Trading in chemicals and chemical-related products		
Thailand	48	48
<u>Held by Megachem (Thailand) Limited</u>		
Megalatex Co., Limited #		
Manufacturing of bedding products		
Thailand	-	48
Vertis Latex Co., Limited #		
Manufacturing of bedding products		
Thailand	14	-

* For the reporting year ended 31 December 2015, audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

Megalatex Co., Limited ceased operations during the reporting year ended 31 December 2015 and amalgamated to form Vertis Latex Co., Limited which is 30% owned by Megachem (Thailand) Limited.

They are associates that are considered material to the reporting entity. The summarised financial information of the material associates and the amounts (and not the reporting entity's share of those amounts) based on the financial statements of the associates are as follows. These are adjusted to reflect adjustments made by the reporting entity when using the equity method.

	2015	2014
	\$	\$
Dividends paid	4,822,590	1,557,840
Revenue	21,977,422	25,472,874
Profit	1,880,387	2,168,238
Other comprehensive loss	957	(19,651)
Total comprehensive income	1,881,344	2,148,587
Current assets	9,429,426	13,188,645
Non-current assets	4,846,738	4,807,954
Current liabilities	(3,205,052)	(3,756,919)
Non-current liabilities	(332,660)	(284,604)
Net assets of the associate	10,738,451	13,955,076

Notes to the Financial Statements

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14. Transferable club memberships

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Transferable club memberships at cost	77,871	77,871	47,071	47,071
Currency translation difference	(7,838)	(4,494)	-	-
Less: allowance for impairment	(43,070)	(43,070)	(43,070)	(43,070)
Total transferable club memberships	26,963	30,307	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. 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 as used in estimating fair values. Consequently it is carried at cost less allowance for impairment.

15. Inventories

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Finished / trading goods	21,003,149	21,517,159	11,066,445	10,791,527

	Group	
	2015	2014
	\$	\$
The write-downs of inventories charged to profit or loss included in cost of sales (Note 4)	285,874	715,975
Decrease (increase) in inventories of finished/ trading goods	514,010	(1,693,086)
The amount of inventories included in cost of sales (Note 4)	81,085,007	87,363,789

Certain inventories are pledged as security for banking facilities as at 31 December 2015 (see Note 22).

There were no inventories pledged as securities for liabilities as at 31 December 2014.

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16. Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
<u>Trade receivables:</u>				
Non-related parties	25,915,116	29,847,008	6,482,814	7,331,961
Subsidiaries	–	–	6,828,255	9,339,150
Associated company	119,460	107,141	60,896	88,309
Less: allowance for impairment - non-related parties	(415,377)	(411,838)	(35,791)	(33,127)
Less: allowance for impairment - subsidiaries	–	–	(1,753,000)	(1,375,000)
Net trade receivables – subtotal	25,619,199	29,542,311	11,583,174	15,351,293
<u>Other receivables:</u>				
Loan to subsidiaries	–	–	3,007,920	2,426,855
Subsidiaries	–	–	1,428,196	1,557,715
Associated company	7,451	656	–	–
Non-related parties	234,029	432,758	–	–
Less: allowance for impairment - subsidiaries	–	–	(707,000)	(512,000)
Net other receivables – subtotal	241,480	433,414	3,729,116	3,472,570
Total trade and other receivables	25,860,679	29,975,725	15,312,290	18,823,863

The non-trade amounts due from subsidiaries and associated company are unsecured, interest-free and are repayable on demand.

The loans to subsidiaries are unsecured, bear interest at 3.64% (2014: 3.39%) per annum and are repayable on demand.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Singapore Dollar	5,446,500	6,295,472	7,486,545	8,160,243
United States Dollar	7,777,588	12,446,389	7,435,832	10,209,006
Malaysia Ringgit	2,809,116	3,395,662	–	–
China Renminbi	2,131,861	2,712,332	–	–
Indonesia Rupiah	3,236,869	604,773	–	–
Sterling Pound	1,150,902	915,038	–	–
Others	3,307,843	3,606,059	389,913	454,614
Total trade and other receivables	25,860,679	29,975,725	15,312,290	18,823,863

Notes to the Financial Statements

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17. Financial assets at fair value through profit or loss

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Balance at beginning of year	147,040	132,688	100,000	41,440
Realisation of forward contracts	(47,040)	(92,688)	–	(1,440)
Currency translation difference	10	–	–	–
Fair value gain	42,176	107,040	21,158	60,000
Balance at end of year	142,186	147,040	121,158	100,000

Financial assets at fair value through profit or loss include the following:

	Group		Company	
	2015	2014	2015	2014
	At fair value	At fair value	At fair value	At fair value
	\$	\$	\$	\$
Listed equity securities – Singapore (Level 1)	110,000	100,000	110,000	100,000
Forward foreign exchange contracts (Note 24)	32,186	47,040	11,158	–
Total financial assets at fair value through profit or loss	142,186	147,040	121,158	100,000

18. Other current assets

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Advance payments to suppliers	735,032	1,045,095	130,576	769,058
Deposits to secure services	218,727	170,170	14,840	9,490
Prepayments	921,078	609,996	134,146	76,017
Total other current assets	1,874,837	1,825,261	279,562	854,565

19. Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Not restricted in use	11,059,729	8,999,243	3,630,363	2,204,579
Interest earning balances	1,102,530	84,977	–	–

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31 December 2015

19. Cash and cash equivalents (cont'd)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Singapore Dollar	2,379,867	1,838,144	2,076,689	1,604,516
United States Dollar	3,467,182	2,489,603	1,549,210	593,376
Malaysia Ringgit	2,677,380	1,802,950	-	-
Indonesia Rupiah	460,320	911,507	-	-
Sterling Pound	76,401	673,009	-	-
China Renminbi	496,677	234,309	-	-
Others	1,501,902	1,049,721	4,464	6,687
Total cash and bank balances	11,059,729	8,999,243	3,630,363	2,204,579

Interest earning balances have an average maturity of one month (2014: one month) from the end of the reporting year with the following average interest rates:

	Group		Company	
	2015	2014	2015	2014
Australia Dollar	1.3%	2.2%	-	-
Malaysia Ringgit	3.9%	-	-	-
India Rupees	8.8%	8.8%	-	-

19A. Cash and cash equivalents in the statement of cash flows:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Cash and cash equivalents for statement of cash flows purposes at end of the year	11,059,729	8,999,243	3,630,363	2,204,579

19B. Non-cash transactions:

Acquisitions of certain freehold land and building which remains unpaid as at 31 December 2014 amounted to \$937,036.

Notes to the Financial Statements

31 December 2015

20. Share capital

	Group and Company	
	Number of shares issued	Share capital
		\$
Ordinary shares of no par value:		
Balance at 1 January 2014, 31 December 2014 and 31 December 2015	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.

21. Other reserves

	Group	
	2015	2014
	\$	\$
Currency translation reserve	(3,882,334)	(2,540,305)

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	
	2015	2014
	\$	\$
Balance at beginning of year	(2,540,305)	(2,694,794)
Net currency translation differences of financial statements of foreign subsidiaries	(1,342,029)	154,489
Balance at end of year	(3,882,334)	(2,540,305)

Notes to the Financial Statements

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22. Borrowings

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
<i>Current:</i>				
Bill payables (unsecured)	5,810,537	10,836,927	5,275,374	9,482,243
Bill payables (secured)	564,623	–	–	–
Short term bank loans (unsecured)	6,554,439	7,631,920	4,554,439	5,631,920
Short term bank loans (secured)	912,357	–	–	–
Long term bank loan (secured)	716,512	600,000	–	–
Current, total	14,558,468	19,068,847	9,829,813	15,114,163
<i>Non-current:</i>				
Long term bank loan (secured)	3,710,594	2,850,000	–	–
Non-current, total	3,710,594	2,850,000	–	–
Total borrowings	18,269,062	21,918,847	9,829,813	15,114,163

The secured long term bank loan as at 31 December 2015 is 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 long term bank loan as at 31 December 2014 was secured by way of mortgage over property located at 11 Tuas Link 1 Singapore 638588.

The secured bill payables and short term bank loans as at 31 December 2015 are collateralized on fixed and floating charges over all the assets and undertaking of a subsidiary, 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 two months (2014: three 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 (2014: 2 years).

(b) Currency of borrowings

Borrowings are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Singapore Dollar	10,330,356	9,982,159	5,480,356	4,532,159
United States Dollar	4,303,977	9,610,148	3,943,882	9,610,148
Malaysia Ringgit	1,577,106	–	–	–
China Renminbi	649,657	1,190,890	–	–
Sterling Pound	699,506	–	–	–
Others	708,460	1,135,650	405,575	971,856
Total borrowings	18,269,062	21,918,847	9,829,813	15,114,163

Notes to the Financial Statements

31 December 2015

22. Borrowings (cont'd)

(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

	2015			2014		
	SGD	USD	Others	SGD	USD	Others
Bills payables	2.6%	2.2%	3.0%	1.9%	1.9%	5.1%
Short term bank loans	2.8%	2.0%	5.6%	2.0%	1.9%	4.2%
Long term bank loan	2.3%	–	4.9%	1.7%	–	–

Company

	2015			2014		
	SGD	USD	Others	SGD	USD	Others
Bills payables	2.6%	1.9%	1.3%	1.9%	1.9%	1.6%
Short term bank loans	3.0%	2.0%	–	2.0%	1.9%	4.2%

(d) Carrying amounts and fair values

The fair value (Level 2) is a reasonable approximation of the carrying amount. The fair value 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.

Notes to the Financial Statements

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23. Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
<u>Trade payables:</u>				
Non-related parties	7,097,695	7,395,617	2,430,380	2,515,293
Associated company	18,472	51,493	5,847	9,118
Subsidiaries	–	–	341,325	955,038
Related party	109,093	50,556	–	–
Trade payables – subtotal	7,225,260	7,497,666	2,777,552	3,479,449
<u>Other payables:</u>				
Associated company	8,635	5,197	3,549	2,401
Subsidiaries	–	–	132,478	110,761
Due to a director	696,640	852,400	–	–
Advance payments from customers	1,430,229	2,027,033	–	–
Advance payments from subsidiary	–	–	1,719,858	–
Accrued liabilities	3,393,150	3,952,607	1,736,609	1,484,489
Other payables	1,329,995	2,150,718	846,833	668,952
Other payables – subtotal	6,858,649	8,987,955	4,439,327	2,266,603
Total trade and other payables	14,083,909	16,485,621	7,216,879	5,746,052

The non-trade amounts due to subsidiaries, associated company and a director are unsecured, interest-free and are repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Singapore Dollar	3,265,660	3,007,297	2,958,475	2,537,493
United States Dollar	5,853,487	7,450,407	3,833,115	2,882,364
China Renminbi	1,858,664	1,827,485	–	–
Sterling Pound	1,518,669	1,580,829	149,166	152,189
Malaysia Ringgit	252,329	1,185,451	–	–
Others	1,335,100	1,434,152	276,123	174,006
Total trade and other payables	14,083,909	16,485,621	7,216,879	5,746,052

Notes to the Financial Statements

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24. Financial liabilities at fair value through profit or loss

Forward foreign exchange contracts

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 Dollar ("Euro"), or Japanese Yen ("Yen").

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		Favourable fair value		Unfavourable fair value	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Group						
Sell Euro	3,705,000	1,095,646	-	24,720	14,179	-
Sell USD	1,919,204	1,719,965	-	-	33,869	45,301
Purchase Euro	231,552	302,082	4,016	-	642	3,639
Purchase USD	2,105,802	1,984,574	28,160	22,320	1,905	2,145
	7,961,558	5,102,267	32,176	47,040	50,595	51,085
Company						
Purchase USD	1,078,252	-	11,158	-	481	-
	1,078,252	-	11,158	-	481	-

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 2015, the settlement date on forward foreign exchange contracts ranges from 1 to 10 months (2014: 1 to 7 months).

Notes to the Financial Statements

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25. Financial instruments: information on financial risks

25A. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of risks, including the effects of changes in foreign currency exchange rates and interest rates. 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.

25B. 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	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	11,060	8,999	3,630	2,205
Trade and other receivables	25,861	29,976	15,312	18,824
Financial assets at fair value through profit or loss	142	147	121	100
	37,063	39,122	19,063	21,129
Financial liabilities				
Trade and other payables at amortised cost	12,654	14,459	5,497	5,746
Borrowings at amortised cost	18,269	21,919	9,830	15,114
Financial liabilities at fair value through profit or loss	51	51	-	-
	30,974	36,429	15,327	20,860

Further quantitative disclosures are included throughout these financial statements.

25C. Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to United States Dollar ("USD"), Euro ("Euro"), Sterling Pound ("GBP"), Japanese Yen ("Yen") and Malaysia Ringgit ("RM"). The Group uses forward exchange contracts to hedge certain of its exposure to foreign currency risk.

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.

Notes to the Financial Statements

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25. Financial instruments: information on financial risks (cont'd)

25C. Foreign currency risk (cont'd)

The Group's currency exposure is as follows:

In \$'000	Exposure in					Total
	SGD	USD	GBP	RM	Others	
As at 31 December 2015						
Financial assets						
Cash and bank balances	2,380	3,467	77	2,677	2,459	11,060
Trade and other receivables	8,587	20,211	1,382	2,818	10,114	43,112
Subtotal	10,967	23,678	1,459	5,495	12,573	54,172
Financial liabilities						
Trade and other payables	6,371	16,768	1,750	247	4,354	29,490
Borrowings	10,330	4,304	700	1,577	1,358	18,269
Subtotal	16,701	21,072	2,450	1,824	5,712	47,759
Net financial assets/(liabilities)	(5,734)	2,606	(991)	3,671	6,861	6,413
Less: Net financial (assets) / liabilities denominated in respective entities' functional currencies	5,734	–	984	(3,671)	(6,469)	(3,422)
Less: Currency forward	–	187	–	–	(3,473)	(3,286)
Net currency exposure	–	2,793	(7)	–	(3,081)	(295)

In \$'000	Exposure in					Total
	SGD	USD	GBP	RM	Others	
As at 31 December 2014						
Financial assets						
Cash and bank balances	1,838	2,490	673	1,803	2,195	8,999
Trade and other receivables	9,233	27,521	1,091	3,438	8,155	49,438
Subtotal	11,071	30,011	1,764	5,241	10,350	58,437
Financial liabilities						
Trade and other payables	5,911	20,394	1,735	1,181	4,288	33,509
Borrowings	9,982	9,610	–	–	2,327	21,919
Subtotal	15,893	30,004	1,735	1,181	6,615	55,428
Net financial assets/(liabilities)	(4,822)	7	29	4,060	3,735	3,009
Less: Net financial (assets) / liabilities denominated in respective entities' functional currencies	4,795	–	(29)	(4,060)	(4,138)	(3,432)
Less: Currency forward	–	265	–	–	(794)	(529)
Net currency exposure	(27)	272	–	–	(1,197)	(952)

Notes to the Financial Statements

31 December 2015

25. Financial instruments: information on financial risks (cont'd)

25C. Foreign currency risk (cont'd)

The Company's currency exposure is as follows:

In \$'000	Exposure in		
	USD	Others	Total
As at 31 December 2015			
Financial assets			
Cash and bank balances	1,549	5	1,554
Trade and other receivables	9,189	1,097	10,286
Subtotal	10,738	1,102	11,840
Financial liabilities			
Trade and other payables	2,113	426	2,539
Borrowings	3,944	405	4,349
Subtotal	6,057	831	6,888
Net financial assets	4,681	271	4,952
Less: Currency forward	1,078	–	1,078
Net currency exposure	5,759	271	6,030

In \$'000	Exposure in		
	USD	Others	Total
As at 31 December 2014			
Financial assets			
Cash and bank balances	593	7	600
Trade and other receivables	11,584	967	12,551
Subtotal	12,177	974	13,151
Financial liabilities			
Trade and other payables	2,882	326	3,208
Borrowings	9,610	972	10,582
Subtotal	12,492	1,298	13,790
Net financial liabilities	(315)	(324)	(639)
Less: Currency forward	–	–	–
Net currency exposure	(315)	(324)	(639)

Notes to the Financial Statements

31 December 2015

25. Financial instruments: information on financial risks (cont'd)

25C. 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):

	2015		2014	
	Profit after tax	Equity	Profit after tax	Equity
	\$'000	\$'000	\$'000	\$'000
Group				
USD : strengthen by 1%	17	12	6	(9)
USD : weaken by 1%	(17)	(12)	(6)	9
Company				
USD : strengthen by 1%	48	48	(3)	(3)
USD : weaken by 1%	(48)	(48)	3	3

25D. 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.

The effect on post tax profit is not significant.

25E. Interest rate risk

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):

	2015		2014	
	Profit after tax	Equity	Profit after tax	Equity
	\$'000	\$'000	\$'000	\$'000
Group				
Increased by 1-percentage point	(137)	(135)	(181)	(180)
Decreased by 1-percentage point	137	135	181	180

Notes to the Financial Statements

31 December 2015

25. Financial instruments: information on financial risks (cont'd)

25E. Interest rate risk (cont'd)

	2015		2014	
	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
Company				
Increased by 1-percentage point	(82)	(82)	(125)	(125)
Decreased by 1-percentage point	82	82	125	125

25F. Credit risk on financial assets

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security and/or credit insurance where appropriate to mitigate credit risk. For other financial assets such as advances to suppliers, interest bearing deposits and bank balances, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group and Company does 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 26).

(i) Concentration of credit risk

The Group's and Company's major classes of financial assets are bank deposits and trade receivables.

The number of debtors that individually represented 5-10% of non-related party trade receivables are as follows:

	Group		Company	
	2015	2014	2015	2014
Number of debtors that represent: 5-10% of non-related party trade receivables	1	1	1	1

Notes to the Financial Statements

31 December 2015

25. Financial instruments: information on financial risks (cont'd)

25F. Credit risk on financial assets (cont'd)

(ii) Credit risk exposure

The credit risk for non-related party trade receivables by countries is as follows:

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<u>By geographical areas</u>				
America	5,076	6,656	20	19
ASEAN	13,734	15,670	6,200	7,096
Australia	513	699	–	–
Middle East	839	1,558	60	92
North Asia	3,851	3,683	14	17
South Asia	1,010	1,009	152	85
UK and Europe	892	572	37	23
Total non-related party trade receivables	25,915	29,847	6,483	7,332

(iii) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with reputable banks. 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 \$15,512,000 (2014: \$16,726,000) and \$4,603,000 (2014: \$5,067,000) respectively.

(iv) Financial assets that are past due and / or impaired

There is no other class of financial assets that is past due and / or impaired except for trade receivables.

The age analysis of non-related party trade receivables past due but not impaired is as follows:

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Past due less than 1 month	3,763	5,988	1,487	1,744
Past due 1 to 2 months	1,122	1,560	314	440
Past due 2 to 3 months	229	803	43	48
Past due 3 to 4 months	130	133	–	–
Past due over 4 months	4,744	4,225	–	–
Total	9,988	12,709	1,844	2,232

Notes to the Financial Statements

31 December 2015

25. Financial instruments: information on financial risks (cont'd)

25F. Credit risk on financial assets (cont'd)

(iv) *Financial assets that are past due and / or impaired (cont'd)*

The carrying amount of non-related party trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Gross amount	415	412	36	33
Less: allowance for impairment	(415)	(412)	(36)	(33)
Total	-	-	-	-
Movements in allowance for impairment during the year:				
Balance at beginning of year	412	383	33	33
Currency translation differences	9	4	-	-
Additions	104	121	6	-
Bad debt written off	(40)	(33)	(3)	-
Bad debt recovered	(70)	(63)	-	-
Balance at end of year	415	412	36	33

The carrying amount of related party trade and other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2015	2014
	\$'000	\$'000
Gross amount	2,460	1,887
Less: allowance for impairment	(2,460)	(1,887)
Total	-	-
Movements in allowance for impairment during the year:		
Balance at beginning of year	1,887	1,537
Additions	850	550
Bad debt recovered	(277)	(200)
Balance at end of year	2,460	1,887

Notes to the Financial Statements

31 December 2015

25. Financial instruments: information on financial risks (cont'd)

25G. 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 \$'000	2-5 years \$'000	5-10 years \$'000	Total \$'000
As at 31 December 2015				
Trade and other payables	12,654	–	–	12,654
Gross borrowing commitments	14,796	3,164	1,034	18,994
	27,450	3,164	1,034	31,648
As at 31 December 2014				
Trade and other payables	14,459	–	–	14,459
Gross borrowing commitments	19,210	2,911	–	22,121
	33,669	2,911	–	36,580
Company	Less than 1 year \$'000	2-5 years \$'000	Total \$'000	
As at 31 December 2015				
Trade and other payables	5,497	–	5,497	
Gross borrowing commitments	9,889	–	9,889	
	15,386	–	15,386	
As at 31 December 2014				
Trade and other payables	5,746	–	5,746	
Gross borrowing commitments	15,184	–	15,184	
	20,930	–	20,930	

Notes to the Financial Statements

31 December 2015

25. Financial instruments: information on financial risks (cont'd)

25G. Liquidity risk – financial liabilities maturity analysis (cont'd)

The following table analyses the Group's and the Company'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		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Gross settled currency forwards				
- Receipts	7,735	5,063	1,078	-
- Payments	(7,765)	(5,031)	(1,069)	-

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 26. The underlying bank facilities mature within 2 years (2014: 2 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.

25H. 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.

The Company is required by banks to observe certain financial covenants such as a minimum consolidated tangible network 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 banks define leverage ratio as total bank borrowings liabilities divided by total tangible network and shareholders' network as aggregate of paid up capital and revenue reserves.

	Group		Company	
	2015	2014	2015	2014
Total borrowings (\$'000)	18,269	21,919	9,830	15,114
Total tangible network (\$'000)	42,196	41,923	20,689	19,044
Leverage ratio	0.43	0.52	0.48	0.79

The Group and the Company are in compliance with all externally imposed capital requirements for the reporting years ended 31 December 2015 and 2014.

Notes to the Financial Statements

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25. Financial instruments: information on financial risks (cont'd)

25I. 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:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group				
As at 31 December 2015				
<u>Financial assets at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	32	–	32
Quoted equity shares in corporations	110	–	–	110
Total	110	32	–	142
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	51	–	51
Total	–	51	–	51
As at 31 December 2014				
<u>Financial assets at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	47	–	47
Quoted equity shares in corporations	100	–	–	100
Total	100	47	–	147
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	51	–	51
Total	–	51	–	51
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Company				
As at 31 December 2015				
<u>Financial assets at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	11	–	11
Quoted equity shares in corporations	110	–	–	110
Total	110	11	–	121
As at 31 December 2014				
<u>Financial assets at fair value through profit or loss:</u>				
Forward foreign currency contracts	–	–	–	–
Quoted equity shares in corporations	100	–	–	100
Total	100	–	–	100

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy.

Notes to the Financial Statements

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26. Contingent liabilities

The Company has provided an undertaking to provide continuing financial support to subsidiaries, MG Chemicals (Australia) Pty Ltd, Megachem (Shanghai) Pte Ltd, MGI Chemicals Private Limited and Megachem Middle East FZE, to enable the subsidiaries to meet their obligations as and when they fall due. As at 31 December 2015, the net liabilities of MG Chemicals (Australia) Pty Ltd, Megachem (Shanghai) Pte Ltd, MGI Chemicals Private Limited and Megachem Middle East FZE amounted to \$1,479,000 (2014: \$949,000), \$419,000 (2014: \$783,000), \$761,000 (2014: \$973,000) and \$86,000 (2014: \$84,000) respectively.

The Company has also provided corporate guarantee to banks for subsidiaries' and associated company's loans. The corporate guarantees are as follows:

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Corporate guarantees provided to banks on subsidiaries' loans payable	-	-	8,439	6,805
Corporate guarantees provided to banks on associated company's loans payable	1,296	1,463	1,296	1,463

27. Operating lease payment commitments – as lessee

At the reporting date the total of future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Not later than one year	167,615	288,241	77,185	69,363
Later than one year and not later than five years	670,462	857,671	308,742	277,452
Later than five years	5,495,448	5,440,756	2,469,934	2,288,975

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.

28. Capital commitments

At the reporting date the capital commitments are as follows:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Purchase of plant and equipment	271,811	-	157,000	-

Notes to the Financial Statements

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29. Related party transactions

29A. Related companies and related parties

FRS 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:

	2015	2014
	\$	\$
<u>Group</u>		
<u>Associated companies</u>		
Sale of inventories	801,821	853,966
Purchases of inventories	(84,383)	(90,358)
Providing services	-	4,659
<u>Related parties</u>		
Sale of inventories (a)	5,090	3,479
Purchases of inventories (a)(b)	(838,428)	(259,519)
Receiving transportation services (c)	(95,681)	(127,652)

(a) Sales 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.

(c) Transportation services rendered by Ipem Automation Sdn. Bhd., a company owned by associates of a director of the Company.

Notes to the Financial Statements

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29. Related party transactions (cont'd)

29B. Compensation of directors and key management:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Salaries and other short-term employee benefits of key management	4,324,253	4,156,691	2,642,028	2,533,043
Remuneration of directors of the Company	1,440,876	1,392,828	1,440,876	1,392,828
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.

30. 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 FRS 108 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 four main geographical segments (Singapore, Malaysia, Indonesia and United Kingdom) by location of revenue and assets. Other geographical areas mainly comprise of China, the Philippines, Middle East, India, Vietnam 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.

Notes to the Financial Statements

31 December 2015

30. Financial information by segments (cont'd)

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

Profit or loss and reconciliations for geographical segments

	Singapore	Malaysia	Indonesia	United Kingdom	Others	Unallocated	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial year ended 31 December 2015							
Sales							
Total sales by segment	55,967	14,073	13,982	18,748	23,744	–	126,514
Inter-segment sales	(9,127)	(467)	(118)	(2,716)	(3,526)	–	(15,954)
	46,840	13,606	13,864	16,032	20,218	–	110,560
Segment result							
Interest income – banks				265	(8)	65	65
Finance costs						(593)	(593)
Share of profits of associated companies						898	898
Profit before income tax						370	4,386
Income tax expense						(1,102)	(1,102)
Net profit	1,948	851	960	265	(8)	(732)	3,284
Other segment items							
Capital expenditure	173	166	10	9	40	–	398
Depreciation	1,248	91	43	21	70	–	1,473

Assets and liabilities and reconciliations for geographical segments

	Singapore	Malaysia	Indonesia	United Kingdom	Others	Unallocated	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial year ended 31 December 2015							
Segment assets							
Associated companies						5,199	5,199
Interest earning cash balances						1,103	1,103
Consolidated total assets	32,279	11,656	7,324	9,008	11,131	6,302	77,700
Segment liabilities							
Borrowings						(18,269)	(18,269)
Current income tax liabilities						(212)	(212)
Consolidated total liabilities	(2,791)	(808)	(3,426)	(4,274)	(2,836)	(18,481)	(32,616)

Notes to the Financial Statements

31 December 2015

30. Financial information by segments (cont'd)

Profit or loss and reconciliations for geographical segments (cont'd)

	Singapore	Malaysia	Indonesia	United Kingdom	Others	Unallocated	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial year ended 31 December 2014							
Sales							
Total sales by segment	59,085	15,450	15,345	23,978	22,176	–	136,034
Inter-segment sales	(12,689)	(530)	(88)	(2,790)	(4,013)	–	(20,110)
	46,396	14,920	15,257	21,188	18,163	–	115,924
Segment result							
	628	995	1,147	1,186	(258)	–	3,698
Interest income – banks						42	42
Finance costs						(492)	(492)
Share of profits of associated companies						1,011	1,011
Profit before income tax						561	4,259
Income tax expense						(1,067)	(1,067)
Net profit	628	995	1,147	1,186	(258)	(506)	3,192
Other segment items							
Capital expenditure	356	3,238	55	1	76	–	3,726
Depreciation	1,259	110	38	22	84	–	1,513

Assets and liabilities and reconciliations for geographical segments

	Singapore	Malaysia	Indonesia	United Kingdom	Others	Unallocated	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial year ended 31 December 2014							
Segment assets							
	32,274	12,770	7,826	11,655	11,961	–	76,486
Associated companies						6,762	6,762
Interest earning cash balances						85	85
Consolidated total assets	32,274	12,770	7,826	11,655	11,961	6,847	83,333
Segment liabilities							
	(5,282)	(1,553)	(806)	(6,105)	(2,790)	–	(16,536)
Borrowings						(21,919)	(21,919)
Current income tax liabilities						(338)	(338)
Deferred tax liabilities						(21)	(21)
Consolidated total liabilities	(5,282)	(1,553)	(806)	(6,105)	(2,790)	(22,278)	(38,814)

Notes to the Financial Statements

31 December 2015

30. Financial information by segments (cont'd)

Profit or loss and reconciliations for business segments

	Distribution	Manufacturing	Unallocated	Group
	\$'000	\$'000	\$'000	\$'000
Financial year ended 31 December 2015				
Sales				
Total sales by segment	122,553	3,961	–	126,514
Inter-segment sales	(15,459)	(495)	–	(15,954)
	107,094	3,466	–	110,560
Segment result				
	3,898	118	–	4,016
Interest income – banks			65	65
Finance costs			(593)	(593)
Share of profits of associated companies			898	898
Profit before income tax			370	4,386
Income tax expense			(1,102)	(1,102)
Net profit	3,898	118	(732)	3,284
Other segment items				
Capital expenditure	345	53	–	398
Depreciation	572	901	–	1,473

Assets and liabilities and reconciliations for business segments

	Distribution	Manufacturing	Unallocated	Group
	\$'000	\$'000	\$'000	\$'000
Financial year ended 31 December 2015				
Segment assets				
	63,071	8,327	–	71,398
Associated companies			5,199	5,199
Interest earning cash balances			1,103	1,103
Consolidated total assets	63,071	8,327	6,302	77,700
Segment liabilities				
	(13,713)	(422)	–	(14,135)
Borrowings			(18,269)	(18,269)
Current income tax liabilities			(212)	(212)
Consolidated total liabilities	(13,713)	(422)	(18,481)	(32,616)

Notes to the Financial Statements

31 December 2015

30. Financial information by segments (cont'd)

Profit or loss and reconciliations for business segments (cont'd)

	Distribution	Manufacturing	Unallocated	Group
	\$'000	\$'000	\$'000	\$'000
Financial year ended 31 December 2014				
Sales				
Total sales by segment	132,241	3,793	–	136,034
Inter-segment sales	(19,670)	(440)	–	(20,110)
	<u>112,571</u>	<u>3,353</u>	<u>–</u>	<u>115,924</u>
Segment result				
	3,875	(177)	–	3,698
Interest income – banks			42	42
Finance costs			(492)	(492)
Share of profits of associated companies			1,011	1,011
Profit before income tax			561	4,259
Income tax expense			(1,067)	(1,067)
Net profit	<u>3,875</u>	<u>(177)</u>	<u>(506)</u>	<u>3,192</u>
Other segment items				
Capital expenditure	3,706	20	–	3,726
Depreciation	602	911	–	1,513

Assets and liabilities and reconciliations for business segments

	Distribution	Manufacturing	Unallocated	Group
	\$'000	\$'000	\$'000	\$'000
Financial year ended 31 December 2014				
Segment assets				
	67,590	8,896	–	76,486
Associated companies			6,762	6,762
Interest earning cash balances			85	85
Consolidated total assets	<u>67,590</u>	<u>8,896</u>	<u>6,847</u>	<u>83,333</u>
Segment liabilities				
	(16,088)	(448)	–	(16,536)
Borrowings			(21,919)	(21,919)
Current income tax liabilities			(338)	(338)
Deferred tax liabilities			(21)	(21)
Consolidated total liabilities	<u>(16,088)</u>	<u>(448)</u>	<u>(22,278)</u>	<u>(38,814)</u>

Notes to the Financial Statements

31 December 2015

31. 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	
	2015	2014
	\$	\$
Fees on audit services to independent auditors:		
- Company's independent auditors	103	99
- Other independent auditors	105	105
Total	208	204
Other fees to independent auditors:		
- Company's independent auditors	17	18
Total	17	18

32. Changes and adoption of financial reporting standards

For the current reporting year new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 1	Amendments to FRS 1: Disclosure Initiative (early application)
FRS 19	Amendments To FRS 19: Defined Benefit Plans: Employee Contributions
Various	Improvements to FRSs (Issued in January 2014). Relating to FRS 103 Business Combinations FRS 108 Operating Segments FRS 113 Fair Value Measurement FRS 16 Property, Plant and Equipment FRS 24 Related Party Disclosures FRS 38 Intangible Assets
Various	Improvements to FRSs (Issued in February 2014). Relating to FRS 103 Business Combinations FRS 113 Fair Value Measurement FRS 40 Investment Property

Notes to the Financial Statements

31 December 2015

33. New or amended standards in issue but not yet effective

For the future reporting years new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") 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 material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 1	Amendments to FRS 1: Disclosure Initiative	1 Jan 2016
FRS 16 & 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016
FRS 27	Amendments to FRS 27: Equity Method in Separate Financial Statements	1 Jan 2016
Various	Improvements to FRSs (Issued in November 2014) FRS 34 Interim Financial Reporting - Disclosure of information elsewhere in the interim financial report	1 Jan 2016
FRS 115	Revenue from Contracts with Customers	1 Jan 2018
FRS 109	Financial Instruments	1 Jan 2018

Statistics of Shareholding

At as 8 March 2016

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 8 MARCH 2016

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2	0.48	143	0.00
100 - 1,000	27	6.41	24,368	0.02
1,001 - 10,000	219	52.02	1,367,200	1.02
10,001 - 1,000,000	161	38.24	9,552,531	7.17
1,000,001 AND ABOVE	12	2.85	122,355,758	91.79
TOTAL	421	100.00	133,300,000	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 8 MARCH 2016

NO.	SHAREHOLDER'S NAME	NO. OF SHARES HELD	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	39,990,670	30.00
2	CHEW CHOON TEE	36,665,316	27.51
3	TAN BOCK CHIA	14,639,483	10.98
4	MAYBANK NOMINEES (S) PTE LTD	10,000,000	7.50
5	HONG LEONG FINANCE NOMINEES PTE LTD	6,008,000	4.51
6	MAYBANK KIM ENG SECURITIES PTE LTD	3,375,000	2.53
7	HSBC (SINGAPORE) NOMINEES PTE LTD	3,257,900	2.44
8	TOSOH CORPORATION	2,500,000	1.88
9	CHONG SIEW LEE MICHELE (ZHANG SHULI MICHELE)	2,306,000	1.73
10	FUNG KOON YAU	1,428,000	1.07
11	RAFFLES NOMINEES (PTE) LTD	1,151,100	0.86
12	YEO KAI HOE	1,034,289	0.78
13	DBS NOMINEES PTE LTD	540,000	0.41
14	OCBC NOMINEES SINGAPORE PTE LTD	506,000	0.38
15	LIAU BIN BIN	444,296	0.33
16	LEE SIEW TIONG	352,000	0.26
17	LIM & TAN SECURITIES PTE LTD	300,900	0.23
18	CHAN KHAI LEONG	299,000	0.22
19	LEE SON SIA @ LEE SONG SIA	251,000	0.19
20	PUAR HAI KUAN	224,000	0.17
TOTAL		125,272,954	93.98

Statistics of Shareholding

At as 8 March 2016

SUBSTANTIAL SHAREHOLDERS AS AT 8 MARCH 2016

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Chew Choon Tee	45,995,316	34.51	444,296	0.33
Tan Bock Chia	24,639,483	18.48	–	–
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, Liao Bin Bin, by virtue of Section 7 of the Companies Act Cap. 50.
- 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

16.61% 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 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 Friday, 15 April 2016 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 2015 together with the Auditor's Report thereon. **(Resolution 1)**
2. To declare a final tax exempt dividend of 0.7 cent per share for the financial year ended 31 December 2015 (2014: final tax exempt dividend of 0.7 cent per share). **(Resolution 2)**
3. To approve Directors' fees of S\$146,000 for the financial year ending 31 December 2016 (2015: S\$146,000). **(Resolution 3)**
4. To re-elect Mr Tan Bock Chia who is retiring pursuant to Article 104 of the Company's Articles of Association. **(Resolution 4)**

Mr Tan Bock Chia, will upon re-election as a Director of the Company, continue to serve as an Executive Director.

Key information on Mr Tan Bock Chia is found on page 20 of the Company's 2015 annual report.
5. To re-elect Mr Atsushi Saito who is retiring pursuant to Article 104 of the Company's Articles of Association. **(Resolution 5)**

Mr Atsushi Saito, will upon re-election as a Director of the Company, continue to serve as the Non-Executive Director.

Key information on Mr Atsushi Saito is found on page 21 of the Company's 2015 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 the Catalyst 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 shares in the capital of the Company 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

Notice of Annual General Meeting

31 December 2015

- (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 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 of the Company.

For the purpose of this resolution, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares 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 outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules, and
- c) any subsequent bonus issue, consolidation or subdivision of the Company's shares,
- (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 1)

8. Authority to grant options and to issue shares under the Megachem Employee Share Option Scheme

(Resolution 8)

"That authority be and is hereby given to the Directors of the Company to offer and grant options from time to time in accordance with the provisions of the Megachem Employee Share Option Scheme (the "Scheme"), and, pursuant to Section 161 of the Companies Act, Chapter 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the Scheme, provided that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed 15% of the issued share capital of the Company from time to time, as determined in accordance with the provisions of the Scheme."

(See Explanatory Note 2)

9. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

Notice of Annual General Meeting

NOTICE OF BOOKS CLOSURE

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 Friday, 15 April 2016 at 10.00 a.m.

1. A final tax exempt dividend of 0.7 cent per share for the financial year ended 31 December 2015 will be paid on 31 May 2016.
2. The Share Transfer Books and Register of Members of the Company will be closed on 13 May 2016 for preparation of dividend warrants. 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 12 May 2016 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 12 May 2016 will be entitled to the payment of the proposed dividend.

BY ORDER OF THE BOARD

Kwok Hwee Peng
Toon Choi Fan
Company Secretaries

31 March 2016

Explanatory Notes:-

1. 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.
2. The ordinary resolution proposed in item 8 above, if passed, will empower the Directors of the Company to offer and grant options under the Megachem Employee Share Option Scheme and to allot and issue shares pursuant to the exercise of such options under the Megachem Employee Share Option Scheme not exceeding 15% of the issued share capital of the Company from time to time.

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 forty-eight (48) hours before the time appointed for the Meeting.

Notice of Annual General Meeting

31 December 2015

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 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.

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, 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 15 April 2016 at 10.00 a.m. and at any adjournment thereof.

*I/we direct *my/our *proxy/proxies to vote for or against 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.

No.	Ordinary Resolutions	For	Against
1.	To receive and adopt the Statement By Directors and Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Auditor's Report thereon.		
2.	To declare a final tax exempt dividend of 0.7 cent per share for the financial year ended 31 December 2015.		
3.	To approve Directors' fees of S\$146,000 for the financial year ending 31 December 2016.		
4.	To re-elect Mr Tan Bock Chia pursuant to Article 104 of the Company's Articles of Association.		
5.	To re-elect Mr Atsushi Saito pursuant to Article 104 of the Company's Articles of Association.		
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 authorise Directors to grant options and to issue shares under the Megachem Employee Share Option Scheme.		

Dated this _____ day of _____ 2016

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, 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, Chapter 50, 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, Chapter 50.
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 forty-eight (48) 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 815F 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 31 March 2016.

Affix
Stamp

The Company Secretary
MEGACHEM LIMITED
c/o Tricor Barbinder Share Registration Services
80 Robinson Road #11-02
Singapore 068898



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