



MEGACHEM LIMITED
Registration No.198803293M

RESPONSE TO SGX QUERIES ON ANNOUNCEMENT OF RE-DESIGNATION OF EXECUTIVE DIRECTOR DATED 16 JUNE 2021

Megachem Limited (the “Company” or together with its subsidiaries and associated companies, the “Group”) sets out our response to the queries raised by the Singapore Exchange (the “SGX”) dated 17 June 2021 on the Company’s announcement dated 16 June 2021 relating to the re-designation of one of our executive directors as follows:

SGX Query

1. We understand that Mr Tan Bock Chia (“Mr Tan”) was re-designated to a Non-Executive Director (“**NED**”) with effect from 9 June 2021. However, this was only announced on 16 June 2021. Please provide the sequence of events leading to the announcement.

Company’s Response

After the board meeting held on 9 June 2021, the cessation announcements were drafted and the Company’s Sponsor had on 10 June 2021 attempted to arrange for an exit interview with Mr Tan (“Exit Interview”).

However, Mr Tan requested on receiving the Notice of Non-Renewal of his service agreement and the minutes of the Board meeting held on 9 June 2021. These documents, including the cessation announcements, were couriered to him by 14 June 2021. The documents had to be couriered as the Company had suspended his Company email address account and the Company did not have his private email address.

Mr Tan had not responded to Sponsor’s several requests for an Exit Interview since 10 June 2021 up to midday of 16 June 2021 when he then agreed to be interviewed on 18 June 2021. After much discussion internally and with our Sponsor, the Board (except Mr Tan who did not comment) agreed to proceed with the SGX announcements on 16 June 2021 and to follow up with a supplementary announcement, if necessary, after the interview with Mr Tan and upon receipt of Mr Tan’s confirmation.

SGX Query

2. In view of Mr Tan’s cessation as Executive Director (“**ED**”), please refer to the followings:
 - a. What is his executive role in the Company’s operations and who will be replacing him? Please advise on the impact to the Company’s operation in view of such a change

Company's Response

Mr Tan's role as an executive director was to assist the Managing Director Mr Chew Choon Tee ("Mr Chew") in the general management of the Company in past years. However, over the course of many years, Mr Chew has trained and built up a capable, competent and proven professional management team comprising country managers in our overseas entities and head office senior managers here in Singapore. As a result, the Board (excluding Mr Tan) does not consider Mr Tan's role necessary for the efficient and effective management of the Company. Therefore the Board decided against a second executive director position which was a substantial expense to the Company.

- b. As he will be placed on garden leave from 10 June 2021 to 31 December 2021, are there any reasons or concerns that have led to such an arrangement?

Company's Response

A management team has been gradually built up over the years to assist the Managing Director, Mr Chew, leading to the reduction of Mr Tan's role and involvement in the operation of the Company. The Board decided to place him on garden leave until the expiry of his service agreement on 31 December 2021. Mr Tan will continue to be remunerated in accordance with the service agreement until 31 December 2021.

- c. Why is the exit interview not conducted and when can this be done?

Company's Response

As mentioned in our response to Query 1, Mr Tan only agreed to an interview after midday of 16 June 2021 with the Company's Sponsor and the Exit Interview is subsequently arranged and conducted on 18 June 2021.

- d. Why is Company unable to obtain his confirmation on the re-designation announcement?

Company's Response

As mentioned in our response to Query 1, Mr Tan did not make any comment at the time the announcements on his re-designation were released.

- e. Please clarify if he will remain as a NED after 31 December 2021.

Company's Response

Mr Tan was re-elected to the Board in the Annual General Meeting held on 25 June 2020. He shall remain as Non-Executive Director until he retires pursuant to the Company's Constitution.

SGX Query

3. In view of Mr Tan's appointment as NED, please confirm if there will be a separate announcement, including updated declarations?

Company's Response

The particulars and undertakings of Mr Tan pursuant to the requirements of Rule 704(6)(a) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited in relation to his re-designation appointment as Non-Executive Director will be furnished in a separate announcement.

SGX Query

4. With regards to unresolved differences in opinion on material matters “relating to operations and management between executive directors”, please further elaborate on these disagreements. Would these disagreements cause any material impacts to the business operations and financial reporting?

Sponsor's Feedback from Exit Interview

The Sponsor feedback to the Company on the following key matters raised by Mr Tan are:

1. the allocation of the profit sharing to the executive directors, being Mr Tan and Mr Chew;
2. the incentive structure of country managers based on the financial performance of the subsidiaries; and
3. the method of collection of long outstanding receivables.

Company's Response

In response to Mr Tan's first comment, the Remuneration Committee (“RC”), comprising of 3 independent non-executive directors, has recommended on the appropriate profit sharing split taking into account Mr Chew's role as Managing Director who is responsible for the overall management and strategic direction of the Company and fairly reflects his significantly higher contribution to the business over the years. This has been extensively discussed at lengths during various Board meetings. Despite Mr Tan's rejection of RC's decision, which is approved by the Board and is final, and refusing to sign his service agreement, nevertheless, he has received and accepted the payment for the profit sharing split based on RC's and Board's decision as well as salary and other benefits stated within his remuneration package.

Secondly the incentive structure for the country managers has been in place for about 10 years and has been accepted by all the country managers. The Board considers the incentives to be reasonable and have been successfully implemented to the benefit of the Company and has been credited for improving the overall business. Mr Tan did not bring up his concern to the Board at the relevant time until this year's Board meeting.

Thirdly the collection of receivables concerned customers in a certain country which the Company has conducted good business for more than a decade. However, for several years, the country faced tremendous political upheaval, failing economy, currency controls, runaway hyperinflation and galloping currency devaluation of many multiples as well as sanctions in recent years. The outstanding balances were fully written off in the financial year ended 31 December 2018. The loosening of currency controls in 2019 enable negotiations to restart and some recovery of receivables have been made. The Board considers the partial collectability of the receivables to be satisfactory given the unprecedented challenges faced. Mr Tan's did not bring up his concerns to the Board at the relevant time until this year's Board meeting.

As mentioned in our response to Query 2(a), Mr Chew has built up a capable, competent and proven management team of country managers and senior managers in the head office. Mr Tan is not in full agreement with the operational decisions of Mr Chew. However, the Board does not foresee this will have any material impact to the business operations and financial reporting.

The Sponsor, after having interviewed Mr Tan, is satisfied that, save as disclosed in this announcement and the announcement dated 16 June 2021, there are no other material reasons for the re-designation of Mr Tan.

SGX Query

5. Is there any other material information that ought to be brought to the shareholders' attention pertaining this announcement?

Company's Response

Other than those mentioned above, there are no other material information to be brought to shareholders' attention.

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By order of the Board

Chew Choon Tee
Managing Director

21 June 2021

This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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