



# DAWN OF A NEW GROWTH CYCLE

ANNUAL REPORT 2021





The global economy and industry are back on growth track. Megachem's robust business model and extensive footprint in Asia provides us a strong foundation to capitalise on the opportunities that arise from the economic recovery and to realise our potential.

**This is the Dawn of a New Growth Cycle.**

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

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

## RESULTS AT A GLANCE

SALES  
S\$138.9 MIL

32.0% ▲

EPS  
5.82CTS

51.2% ▲

EBITDA  
S\$11.1 MIL

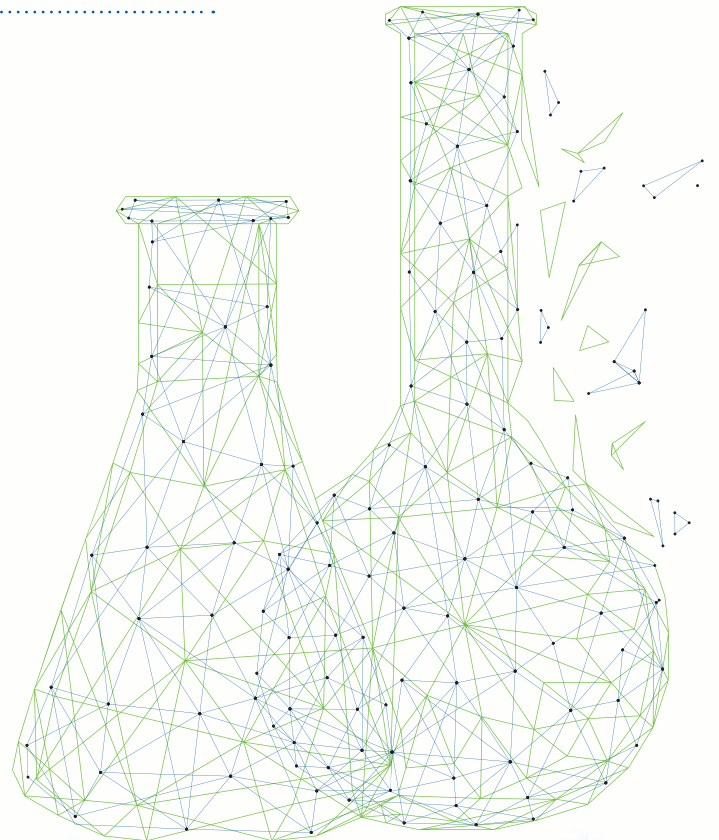
44.1% ▲

NET PROFIT  
S\$8.0 MIL

52.0% ▲

FULL YEAR  
DIVIDEND

2.0cents  
PER SHARE



## CHAIRMAN'S MESSAGE



### DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present to you Megachem's annual report for the financial year ended 31 December 2021 ("FY 2021").

### KEEPING AGILE TO SEIZE OPPORTUNITIES AFTER CRISIS

Following the large-scale rollout of vaccination programmes and easing of COVID-19 restrictions, the global economy is gradually rebounding from the 2020 COVID-19 recession. In line with this, we have seen a broad-based recovery in most of our market segments. Chemical prices also picked up due to upsurge in demand and shortage of supply.

Our diversified business model, both in terms of suppliers and customers, has proven robust. Through our agility, Megachem was able to seize opportunities as the global economy recovered, and our business was elevated to a new level. Our net profit after tax achieved a 52.0% growth year-on-year to a record level of S\$8.0 million in FY 2021, higher than pre-COVID-19 levels.

### BACK ON GROWTH TRACK

For FY 2021, Megachem recorded a revenue of S\$138.9 million, an increase of 32.0% as compared to the S\$105.2 million recorded in the previous financial year ended 31 December 2020 ("FY 2020"). This was largely due to higher sales volume and prices from improved business sentiments and recovery in demand. Geographically, growth in sales was broad-based across the various markets, with ASEAN and Europe recording the largest improvements over FY 2020.

Both the Distribution and Manufacturing segments recorded higher sales in FY 2021 as compared to FY 2020, to above pre-COVID-19 levels. Sales from the Distribution segment grew 31.6% to S\$133.9 million from S\$101.8 million, whilst sales from the Manufacturing segment improved by 43.8% to S\$5.0 million from S\$3.5 million. Correspondingly, gross profit increased by 28.7% to S\$34.1 million along with the higher sales level, while gross profit margin remained relatively stable at 24.6%, compared to 25.2% in FY 2020, despite supply side pressure and higher freight costs.

Total operating expenses (excluding finance cost) increased by 14.9% year-on-year, largely due to higher employee remuneration in line with better performance, higher transport charges in line with higher sales, net foreign exchange loss, higher professional fees in relation to recovery of trade receivables and trademark expenses as well as higher depreciation of right-of-use assets. The increase was partially offset by lower fair value loss from forward exchange contract.

Profit before tax increased by S\$3.3 million or 54.7% to S\$9.2 million as a result of higher gross profit achieved on the back of higher sales. Correspondingly, net profit after tax increased by S\$2.7 million or 52.0% to S\$8.0 million. Excluding grant income in FY 2020 and FY 2021, net profit after tax would have increased by S\$3.6 million or 86.3%.

Earnings per share for FY 2021 increased by 51.2% to 5.82 cents from 3.85 cents in FY 2020. Net asset value per share rose to 42.95 cents as at 31 December 2021, from 39.33 cents as at 31 December 2020.

## CHAIRMAN'S MESSAGE

The balance sheet remained sound, with cash and bank balances of S\$11.5 million as at 31 December 2021, as compared to S\$16.2 million as at 31 December 2020, due to higher working capital requirement. Gearing ratio remained healthy at 0.51 time, an increase from 0.37 time as at 31 December 2020, due to higher trade borrowings and short-term bank loans to finance higher working capital requirements corresponding to the increase in sales.

Overall, our financial discipline has enabled us to maintain a healthy financial position, providing us with financial flexibility for future growth and expansion of the business.

### DAWN OF A NEW GROWTH CYCLE

As the global economy is gradually recovering from the COVID-19 recession, we are optimistic that this signals the dawn of a new growth cycle for the economy, chemicals industry and Megachem.

However, we are mindful of the ongoing macro volatilities, such as the possibility of further waves of infections from COVID-19 variants, tightening of monetary policies in several economies, rising interest and inflation rates, and war between Russia and Ukraine, that continue to create uncertainties. Barring any unforeseen circumstances, the Group is well poised to capitalise on the growth cycle to elevate our business further.

The Asian region remains our main driver of growth, given the large population and burgeoning middle class. Chemicals have been said to be the “industry of industries”. As production activities and capital investment in Asia grow, we are expecting demand for chemicals to rise in tandem.

We remain on the keen lookout for opportunities to expand our business in the Asian market. Notably, in October 2021, the Group entrenched its position in Asia where we acquired, through an associated company, a 55%-interest in Green Leaf Chemical Co., Ltd, a distributor of chemical materials for the manufacturing of personal care products such as cosmetics and nutraceuticals. The acquisition enhances the Group's product portfolio and deepens our coverage of the personal care industry thereby strengthening our market position.

We will strive to enhance our product offerings and provide value-added one-stop solutions to all our customers, to better manage the supply chain disruptions together. Besides our strong customer centricity, we will leverage on our diversified business model, track record of operational excellence and good financial discipline to bring about long-term value to our stakeholders.

### SUSTAINABILITY

Megachem has always regarded sustainability as one of our priorities in creating sustainable long-term value for our stakeholders. Since 2018, Megachem has partnered with EcoVadis to rate our sustainability performance. We are pleased to share that for the sustainability assessment in 2021, Megachem has been awarded a platinum medal in recognition of sustainability achievement, placing us in the top 1%. We will continue to put sustainability at the forefront of our business, balancing between economic objectives and social responsibility to the best of our abilities.

### REWARDING OUR SHAREHOLDERS

Since Megachem's listing in 2003, we have been committed to consistently providing sustainable returns to our shareholders. For FY 2021, the Board is pleased to recommend a final dividend of 1.2 cent per share, subject to the approval by shareholders at the Annual General Meeting to be convened. Inclusive of the interim dividend of 0.8 cent per share, the total dividend of 2.0 cents per share represents a dividend payout ratio of 34.4% against net profit.

### WORDS OF APPRECIATION

I would like to thank the management team, staff, bankers and business associates for their support and hard work that has enabled us to come this far. I would also like to extend my gratitude to my fellow directors for their contributions to the Group and counsel. Last but not least, I would like to show appreciation to our shareholders for their constant support.

In this dawn of a new growth cycle, I believe that Megachem is well-positioned to seize new opportunities as we arise by leveraging on our strengths and comprehensive product range to provide customers with one-stop solutions. We will continue to focus on the execution of our Asia-centric strategy and strive towards a more sustainable specialty chemicals business for our customers.

### LEE BON LEONG

Independent and Non-Executive Chairman  
Megachem Limited

# OUR WORLD OF CHEMISTRY





## OUR WORLD OF CHEMISTRY

01

## MAKING THE WORLD A BRIGHTER PLACE

### PERFORMANCE COATINGS AND POLYMERS

- Paints and Inks • Polymerisation • Adhesives
- Construction • Textile

02

## ENABLING TECHNOLOGIES

### SURFACE TECHNOLOGY

- Electronics • Metal Finishings
- Industrial Cleaning • Water Treatment
- Pulp & Paper

03

## ENERGISING OUR WORLD

### OIL & GAS/RESOURCES

- Petrochemicals • Lubricants & Grease
- Oil Fields • Refinery • Oleochemicals
- Mining

04

## DRIVING PERFORMANCE

### ADVANCED POLYMER COMPOSITES

- Rubber • Plastics • Polyurethane • Polyesters

05

## NOURISHING OUR WELL-BEING

### BIOTECH

- Food and Beverages • Pharmaceuticals
- Nutraceuticals • Cosmeceuticals • Homecare
- Flavours/Fragrances • Agriculture • Feeds

## OUR PROSPECTS

### ECONOMIC RECOVERY

Heading into 2022, the potential headwind such as tightening of global monetary policy led by USA, economic slowdown in China and resurgence of COVID-19 virus may put a drag on the current economic recovery. On the flip side, accelerated vaccination against COVID-19 and a less severe Omicron wave may lead to further easing of border restrictions which will pave the way for a smoother growth trajectory.

### POSITIVE CHEMICAL INDUSTRY

On the back of economic recovery, the demand for specialty chemicals especially from industries such as electronics, personal care and water treatment is likely to remain buoyant. Growth impediments such as the product shortages and supply chain challenges may ease along with gradual lifting of border restrictions which will provide a more stable and conducive environment for the industry to continue its growth.

### MEGACHEM: REALISING POTENTIAL, CAPITALISING OPPORTUNITIES

Urbanisation and growing affluence, coupled with increasing government spending on infrastructure and foreign investment, are forces that will drive the shift in economic growth towards Asia. Greater economic integration between China and ASEAN may lead to years of strong and sustained growth in Asia. Megachem operates in 12 countries, of which 9 are in Asia. We will therefore continue to enhance our market position by leveraging on our extensive network, our strong customer base and market insights. We will channel more resources to strengthen our market presence and to realise our potential.

Efforts will be stepped up to strengthen our supply sources from key producers in China, USA, Europe, Japan and the rest of Asia with the objective of offering cost effective products and solutions to our customers.

While maintaining resilience through a diversified industry coverage, efforts will be intensified to deepen our coverage in high growth industries.

We believe we are experiencing the dawn of a new growth cycle that will provide many opportunities for us to elevate our business to another level. Given our extensive geographic footprint in Asia, comprehensive product range across a wide spectrum of industries and a strong customer base, we are well-positioned to ride on this new wave of growth.



## OUR STRATEGY

$(CH_2\text{chemical}) + Re(Action)2: \text{for- } Gr\{OW\}^{\text{th}}$

The Megachem formula for growth is a reaction of 3 key strategies creating a chemistry that will elevate us to a different level of growth. We develop our strategies around the key pillars of geographic network, product offerings and industry coverage. Combine these with our supply chain infrastructure and close relationships with customers and suppliers, Megachem will be well positioned to grow its business, thereby enhancing value for our shareholders.

## OUR CORPORATE PROFILE



### **YOUR TOTAL CHEMICAL SOLUTIONS PARTNER**

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

# OUR CORPORATE PROFILE



SERVING YOU GLOBALLY WITH ONE-STOP SUPPLY OF SPECIALTY CHEMICALS

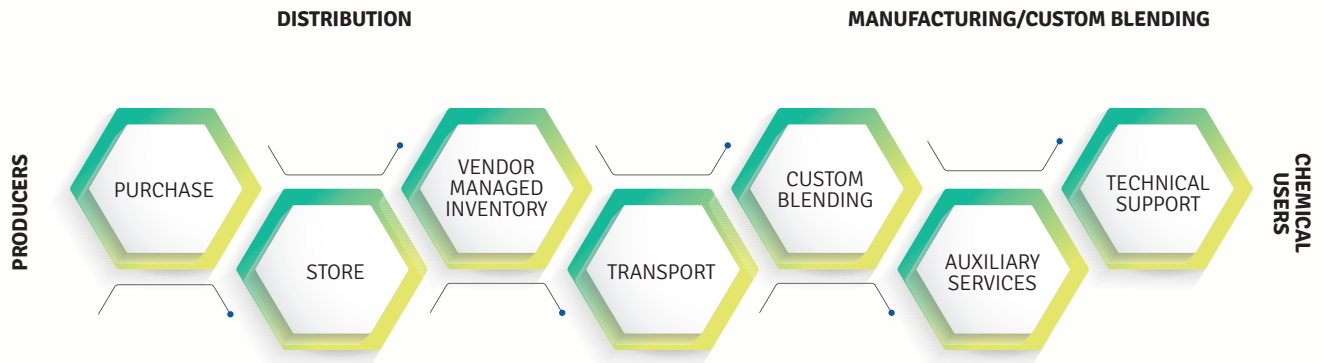


PROVIDING INTEGRATED VALUE-ADDED SOLUTIONS



A PREMIUM PROVIDER OF CHEMICAL CONTRACT MANUFACTURING SERVICES

## OUR BUSINESS MODEL



### VALUE-ADDING IN THE CHEMICAL SUPPLY CHAIN



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



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

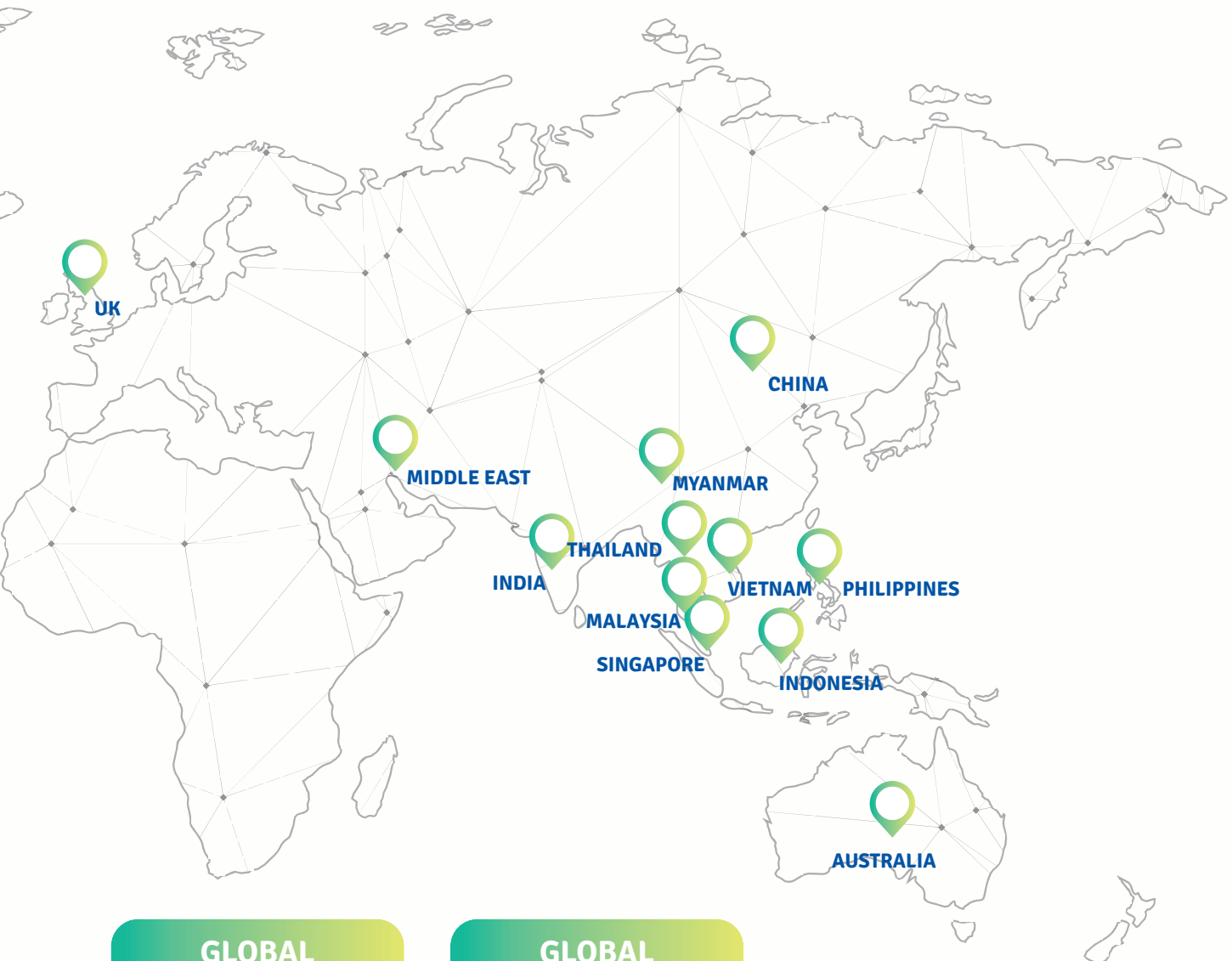
## OUR GLOBAL FOOTPRINT



### CONNECTING TO THE WORLD OF OPPORTUNITIES

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

## OUR GLOBAL FOOTPRINT



**GLOBAL SOURCING**

**GLOBAL MARKETS**



## WHY MEGACHEM?



### 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 noncore production activities so that they can focus on what they do best - making their business grow.

#### Extensive Global Network

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

Our direct presence in these markets offers a premium service level and minimized operating cost for our customers. Our integrated network also allows for crossborder 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 multinationals companies spreading across a wide range of industries. This is a testimony of their confidence in us and of our ability to deliver long-term value to them.

#### Outstanding Product Portfolio

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

#### Quality Supply Source

Our suppliers have proven track records in quality, consistency, competitive pricing and supply reliability. A strong presence in Asia has helped several of our principal suppliers to penetrate key markets, which led to our appointment as their sole distributor and business partner.

#### Efficient Supply Chain Solutions

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

#### Sophisticated IT Infrastructure

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

### YOUR COMPETITIVE ADVANTAGES

#### As our Customers

##### Competitive Product Pricing

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



## WHY MEGACHEM?

### Process and Operational Cost Efficiency

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

### Product Options

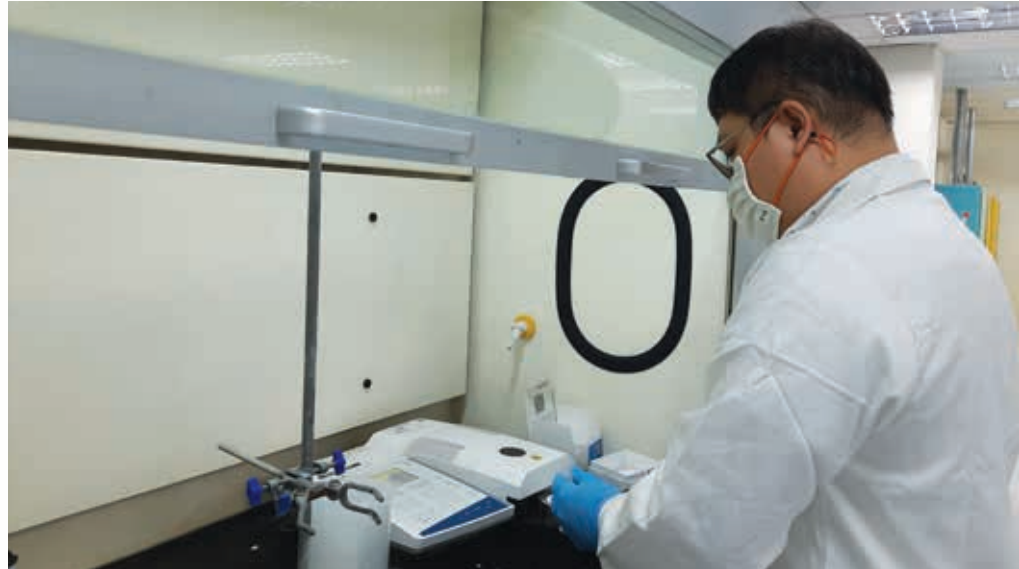
Megachem has global sourcing network around the world with the ability to source for quality products at economical cost. We are able to offer various alternatives for your chemical raw material requirements by offering wider choices in terms of product quality and pricing.

### Optimum Service Level

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

### Adding Value Through Contract Manufacturing

Megachem adds further value to your business by providing contract manufacturing services. We can source the raw materials for you, store them in our warehouse, produce the finished products according



to your formulations, pack them according to your requirements and deliver them directly to you or your customers. By engaging us as your contract manufacturer, your non-core production is outsourced to us and in so doing reduces your capital expenditure, production and other related costs. Outsourcing your non-core productions to us also enables you to penetrate key markets in Asia without investing heavily in capital expenditure.

### As our Suppliers

#### Your Partner in Growing your Markets

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

### Streamlining your Distribution Channels

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

### Reducing your Inventory Cost

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

### Market Information Sharing

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

## DEFINING MEGACHEM

**SUPPORTING MEGACHEM'S KEY SUCCESS FACTORS IS THE INVIGORATING DEEP CULTURE – ONE THAT BONDS THE SPIRIT OF OUR PEOPLE TOGETHER WITH COMMON VALUES, EASILY RECOGNIZABLE IN THE CONDUCT OF OUR BUSINESS WHERE:**

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

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

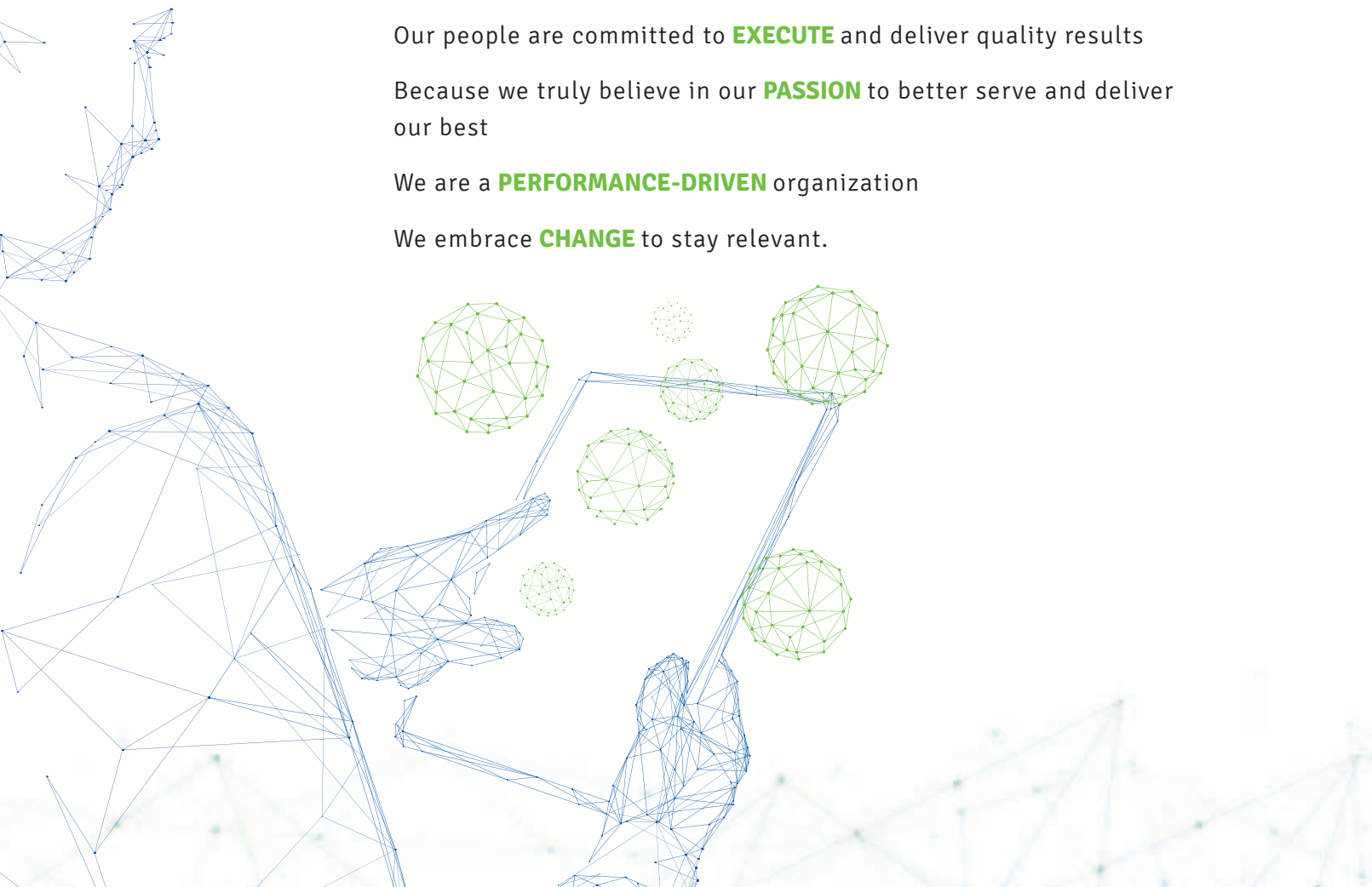
We constantly pursue better ways to **ENGAGE** with our business partners to achieve mutually beneficial relationship

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

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

We are a **PERFORMANCE-DRIVEN** organization

We embrace **CHANGE** to stay relevant.



## BOARD OF DIRECTORS



### MR LEE BON LEONG, JP,PBM,BBM, AGE 75

Independent and Non-Executive Chairman

#### Date of first appointment as a Director

5 September 2003

#### Date of last re-election as Director

16 April 2021

#### Length of service as a Director

18 years and 6 months

#### Country of principal residence

Singapore

#### Board's comments on the appointment

Not applicable, Mr Lee Bon Leong is not subject to re-election.

#### Board committee memberships

Chairman of Nominating Committee  
Member of Audit Committee  
Member of Remuneration Committee

#### Academic and professional qualifications

Masters of Law from the National University of Singapore  
Bachelor of Law (Hons) from the National University of Singapore

#### Working experience and occupations for the past 10 years and principal commitments

*Working experience and occupation during the last 10 years*

Practising lawyer, senior partner of Lee Bon Leong & Co.

*Principal Commitments (other than directorships)*

*Present*

Chairman of the Home Detention Advisory Committee

Chairman of the Board of Visitors for SCDF & SPF Detention Barracks (DB)

*Past*

Practising lawyer and consultant to Lee Bon Leong & Co

Member of the Panel for the Disciplinary Committee of Enquiry Public Service Commission

Vice-Chairman and Trustee of the Inmates' Families Support Fund

Member of the Singapore Board of Visiting Justices

Member of the Institutional Discipline Advisory/Review Committee (IDAC/IDRC)

#### Directorships (Present and Past 5 years)

*Present other than Megachem Limited*

Listed

Asia Enterprises Holding Ltd

Non-listed

D S Lee Foundation

Kien Lee Investment Pte Ltd

King Tower Investment Pte Ltd

Li Lee Investment Pte Ltd

Rectron Investments Pte Ltd

Sing Hup Leong Investment Pte Ltd

Solid Gold Pte Ltd

*Past 5 years, listed and non-listed*

Listed

AnnAik Limited

#### Shareholdings (direct and deemed) in the Company (as at 21 January 2022)

100,000

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

Nil

#### Conflict of interest (including any competing business)

Nil

## BOARD OF DIRECTORS



### MR SIDNEY CHEW CHOON TEE, AGE 61

Managing Director

#### Date of first appointment as a Director

28 April 1989

#### Date of last re-election as Director

15 April 2019

#### Length of service as a director

32 years and 10 months

#### Country of principal residence

Singapore

#### Board's comments on the appointment

The re-election of Mr Chew Choon Tee as Managing Director was recommended by the Nominating Committee and approved by the Board, after taking into consideration Mr Chew Choon Tee's contributions, performance, expertise and past experiences.

#### Board committee memberships

Chairman of Executive Committee  
Member of Nominating Committee

#### Academic and professional qualifications

Bachelor of Science in Chemistry (Hons)  
Bachelor of Arts, majoring in Business Administration

#### Working experience and occupations for the past 10 years and principal commitments

*Working experience and occupation during last 10 years*

Executive Director of Megachem Limited

*Principal Commitments (other than directorships)*

*Present and Past*

Nil

#### Directorships (Present and Past 5 years)

*Present other than Megachem Limited*

Listed

Megachem (Thailand) PCL

Non-listed

Megachem Manufacturing Pte Ltd

Megachem Raya Pte Ltd

Megachem (Shanghai) Pte Ltd

C.N. Chemicals Sdn. Bhd.

P.T. Mega Kemiraya

Megachem Plus Limited

Megachem Phils., Inc

Megachem International Trading (Shanghai)

Co., Ltd

Megachem (UK) Ltd

Megachem Middle East FZE

Megachem Vietnam Company Limited

Megachem Specialty Chemicals (I)

Private Limited

MG Chemicals (Australia) Pty Ltd

*Past 5 years, listed and non-listed*

Nil

#### Shareholdings (direct and deemed) in the Company (as at 11 March 2022)

47,499,812

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

Nil

#### Conflict of interest (including any competing business)

Nil

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

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

## BOARD OF DIRECTORS

**MR JEFFREY TAN BOCK CHIA, AGE 65**

Non-Executive and Non-Independent Director

**Date of first appointment as a Director**

12 September 1988

**Date of last re-election as Director**

25 June 2020

**Length of service as a Director**

33 years and 6 months

**Country of principal residence**

Singapore

**Board's comments on the appointment**

Not applicable, Mr Jeffrey Tan Bock Chia is not subject to re-election.

**Board committee memberships**

Nil

**Academic and professional qualifications**

The Singapore-Cambridge General Certificate of Education Advanced Level (GCE A-Level)

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

Executive Director of Megachem Limited

*Principal Commitments (other than directorships)**Present*

Honorary Council Member of the Singapore-China Business Association

Member of the School Advisory Committee of River Valley High School

*Past*

Nil

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

Megachem (Thailand) PCL

*Past 5 years, listed and non-listed*Listed

Nil

Non-listed

Megachem Manufacturing Pte Ltd

Megachem Raya Pte Ltd

Megachem (Shanghai) Pte Ltd

C.N. Chemicals Sdn. Bhd.

P.T. Mega Kemiraya

Megachem Phils., Inc

Megachem International Trading (Shanghai)

Co., Ltd

Megachem (UK) Ltd

Megachem Middle East FZE

Megachem Vietnam Company Limited

Megachem Specialty Chemicals (I) Private Limited

MG Chemicals (Australia) Pty Ltd

Megachem Plus Limited

**Shareholdings (direct and deemed) in the Company (as at 11 March 2022)**

25,435,083

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

Nil

**Conflict of interest (including any competing business)**

Nil

## BOARD OF DIRECTORS



### MR CHAN KAM LOON, AGED 61

Independent Director

#### Date of first appointment as a Director

28 September 2007

#### Date of last re-election as Director

25 June 2020

#### Length of service as a Director

14 years and 5 months

#### Country of principal residence

Singapore

#### Board's comments on the appointment

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

#### Board committee memberships

Chairman of Audit Committee  
Member of Nominating Committee  
Member of Remuneration Committee

#### Academic and professional qualifications

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

#### Working experience and occupations for the past 10 years and principal commitments

*Working experience and occupation during the last 10 years*  
Nil

*Principal Commitments (other than directorships)*

*Present and Past*  
Nil

#### Directorships (Present and Past 5 years)

*Present other than Megachem Limited*

Listed  
Jiutian Chemical Group Limited  
Uni-Asia Group Limited

Non-listed  
Nil

*Past 5 years*

Listed  
OIO Holdings Limited (formerly known as DFL Holdings Limited)  
Hupsteel Limited  
Sarine Technologies Limited

Non-listed  
3 Peaks Capital Private Limited

#### Shareholdings (direct and deemed) in the Company (as at 21 January 2022)

Nil

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

Nil

#### Conflict of interest (including any competing business)

Nil

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

## BOARD OF DIRECTORS



### DR TAY KIN BEE, AGE 67

Independent Director

#### Date of first appointment as a Director

1 July 2013

#### Date of last re-election as Director

16 April 2021

#### Length of service as a Director

8 years and 7 months

#### Country of principal residence

Singapore

#### Board's comments on the appointment

The re-election of Dr Tay Kin Bee as Independent Director was recommended by the Nominating Committee and approved by the Board, after taking into consideration Dr Tay Kin Bee's contributions, performance, expertise and past experiences.

#### Board committee memberships

Chairman of Remuneration Committee  
Member of Audit Committee

#### Academic and professional qualifications

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

#### Working experience and occupations for the past 10 years and principal commitments

*Working experience and occupation during the last 10 years*

Managing Director and CEO of a specialty chemical distribution company

*Principal Commitments (other than directorships)*

*Present*

Executive Director of a private equity asset management company.

*Past*

Managing Director and CEO of a specialty chemical distribution company

Chairman of the Singapore Chemical Industry Council

Deputy Chairman of the Chemical Standards Committee (Singapore Standards Council)

Governing Board Member of the Workplace, Safety and Health Institute

Taskforce Chairman for Globally Harmonized System of Classification and Labelling of Chemicals (Ministry of Manpower)

#### Directorships (Present and Past 5 years)

*Present other than Megachem Limited*

Listed

Chemical Industries (Far East) Limited

Non-listed

DCM Asia Pte Ltd

Riverside Asia Partners Pte Ltd

Riverside Asia Pacific Fund II Pte Ltd

SPCI Pte Ltd

*Past 5 years, listed and non-listed*

Listed

Nil

#### Shareholdings (direct and deemed) in the Company (as at 21 January 2022)

Nil

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

Nil

#### Conflict of interest (including any competing business)

Nil

Dr Tay Kin Bee, who is seeking re-election at the annual general meeting, had responded negative to items (a) to (k) listed in the Appendix 7F of the Catalyst Rules.

## BOARD OF DIRECTORS



### MR YASUTAKA KAWAMURA, AGE 51

Non-Executive and Non-Independent Director

#### Date of first appointment as a Director

1 July 2020

#### Date of last re-election as Director

16 April 2021

#### Length of service as a Director

1 year and 9 months

#### Country of principal residence

Japan

#### Board's comments on the appointment

Not applicable, Mr Yasutaka Kawamura is not subject to re-election.

#### Board committee memberships

Nil

#### Academic and professional qualifications

Master of Business Administration  
Bachelor of Economics

#### Working experience and occupations for the past 10 years and principal commitments

*Working experience and occupation during the last 10 years*

Vice President of Chori (China) Co., Ltd  
Department Manager of Corporate Planning division in Chori Co., Ltd.

*Principal Commitments (other than directorships)*

*Present*

Department Manager of Corporate Planning division in Chori Co., Ltd with experiences in corporate actions, accounting, financing, credit and legal matters.

*Past*

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

#### Directorships (Present and Past 5 years)

*Present other than Megachem Limited*

Listed

Nil

Non-listed

Chori (Shanghai) Ltd  
Chori (China) Co., Ltd  
Chori (Dalian) Trading Co., Ltd  
Chori (Dalian) Commercial Import Export Co., Ltd

*Past 5 years, listed and non-listed*

Listed

Nil

Non-listed

Chori America, Inc  
Chori Commercial De Mexico SA De CV  
P.T. Chori Indonesia  
Chori Europe GmbH  
Chori Co., (Hong Kong) Ltd  
Chori (Tianjin) Co., Ltd  
Chori Korea Co., Ltd  
Chori Trading India Private Limited

#### Shareholdings (direct and deemed) in the Company (as at 21 January 2022)

Nil

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

An employee and nominee of Chori Co., Ltd, a 29.99% shareholder of Megachem Limited

#### Conflict of interest (including any competing business)

Nil



## SENIOR MANAGEMENT



### MR FRANCIS YAU THIAM HWA

Chief Financial Officer

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



### MS KWOK HWEE PENG

Group Finance Manager

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

## OUR HUMAN CAPITAL

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 awarded in past years is testimony to this longstanding commitment and belief that investment in people will thrust the organization towards the pinnacle of excellence in our relationship with our partners, customers and suppliers.

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

### REWARDS & BENEFITS

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

### WELFARE AND WELL-BEING

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

### LEARNING AND DEVELOPMENT

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

Although “People Developer”, a certification awarded by Enterprise Singapore to companies which have achieved excellence in human capital development had ceased in 2020, we continued to adopt its principle and guidelines for a total approach to attracting, managing and engaging employees for high performance and aims to bring the best out of our people.

### CAREER & LEADERSHIP DEVELOPMENT

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

### HIGHER LEARNING EDUCATION SUPPORT

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

### STUDENTS AND GRADUATES

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

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

# OUR ACHIEVEMENT

**AT MEGACHEM, WE ARE CONSTANTLY PURSUING HIGHER STANDARDS OF BUSINESS EXCELLENCE. OUR STRING OF ACHIEVEMENTS AND AWARDS GARNERED OVER THE YEARS ATTEST TO OUR CUSTOMER-FOCUSED CORPORATE VALUES AND QUALITY STANDARDS.**



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Lee Bon Leong  
(Independent and Non-Executive Chairman)  
Sidney Chew Choon Tee (Managing Director)  
Jeffrey Tan Bock Chia (Non-Executive and  
Non-Independent Director)  
Chan Kam Loon (Independent Director)  
Tay Kin Bee (Independent Director)  
Yasutaka Kawamura (Non-Executive and  
Non-Independent 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)  
Francis Yau Thiam Hwa  
Kwok Hwee Peng

## COMPANY SECRETARIES

Kwok Hwee Peng  
Hon Wei Ling

## REGISTERED OFFICE

11 Tuas Link 1 Singapore 638588  
Tel: (65) 6933 9999  
Fax: (65) 6863 2818  
Website: [www.megachem.com](http://www.megachem.com)

## SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services  
(a division of Tricor Singapore Pte Ltd)  
80 Robinson Road #02-00  
Singapore 068898  
Tel: (65) 6236 3333

## EXTERNAL AUDITOR

RSM Chio Lim LLP  
8 Wilkie Road #03-08  
Wilkie Edge  
Singapore 228095  
Partner-in-charge: Woo E-Sah  
(with effect from financial year ended  
31 December 2017)

## INTERNAL AUDITOR

Baker Tilly Consultancy (Singapore) Pte Ltd  
600 North Bridge Road  
#05-01 Parkview Square  
Singapore 188778

## PRINCIPAL BANKERS

Citibank, N.A.  
HSBC  
Oversea-Chinese Banking Corporation Limited  
Standard Chartered Bank  
United Overseas Bank Limited

## CONTINUING SPONSOR

SAC Capital Private Limited  
1 Robinson Road  
#21-00 AIA Tower  
Singapore 048542  
Tel: (65) 6232 3210

## INVESTOR RELATIONS ADVISOR

Citigate Dewe Rogerson Singapore Pte Ltd  
158 Cecil Street #05-01  
Singapore 069545  
Tel: (65) 6534 5122  
Email: [Megachem@citigatedewerogerson.com](mailto:Megachem@citigatedewerogerson.com)

## INVESTOR RELATIONS CONTACT

Citigate Dewe Rogerson Singapore Pte Ltd  
Dolores Phua/Valencia Wong  
Email: [Megachem@citigatedewerogerson.com](mailto:Megachem@citigatedewerogerson.com)

Megachem Limited  
Francis Yau  
Email: [fsyau@sg.megachem.com](mailto:fsyau@sg.megachem.com)

## INVESTOR RELATIONS WEBSITE

[www.megachem.com](http://www.megachem.com)  
[www.shareinvestor.com](http://www.shareinvestor.com)

## PERSONAL DATA PROTECTION OFFICER CONTACT

Megachem Limited  
Woo Tze Yung  
Email: [tywoo@sg.megachem.com](mailto:tywoo@sg.megachem.com)

## WHISTLE BLOWING CONTACT

Tel: (65) 6863 9285  
Email: [auditcom@sg.megachem.com](mailto:auditcom@sg.megachem.com)

## GLOBAL OFFICE CONTACT

**MEGACHEM LIMITED**  
**MEGACHEM MANUFACTURING PTE LTD**  
**MEGACHEM RAYA PTE LTD**  
**MEGACHEM (SHANGHAI) PTE LTD**  
 11 Tuas Link 1,  
 Singapore 638588  
 Tel: +65 6933 9999  
 Fax: +65 6863 2818  
 E-mail: enquiry@sg.megachem.com  
 Website: www.megachem.com

**C.N. CHEMICALS SDN. BHD.**  
 No. 121 Jalan SS25/2,  
 Taman Mewah,  
 47301 Petaling Jaya,  
 Selangor Darul Ehsan, Malaysia  
 Tel: +60 3 7803 0795  
 Fax: +60 3 7803 0878  
 E-mail: enquiry@my.megachem.com

**P.T. MEGA KEMIRAYA**  
 Wisma 77. 6<sup>th</sup> Floor  
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 Jakarta Barati, 11410 Indonesia  
 Tel: +62 21 536 3189  
 Fax: +62 21 535 8987  
 E-mail: enquiry@id.megachem.com

**MEGACHEM (THAILAND) PCL**  
 25 Soi Chalongkrung 31,  
 Ladkrabang Industrial Estate Soi G1/9,  
 Lamplathew, Ladkrabang,  
 Bangkok 10520 Thailand  
 Tel: +66 2 739 6333  
 Fax: +66 2 739 6332  
 E-mail: enquiry@megachem.com.th

**MEGACHEM PLUS LIMITED**  
 278/40 Moo.10 Bang Pla,  
 Bangplee, Samutprakarn  
 10540, Thailand  
 Tel: +66 2 752 5145-7  
 Fax: +66 2 752 5148  
 E-mail: enquiry@megachem.co.th

**MEGACHEM PHILS., INC**  
 Greenlee Compound  
 143 M.L Quezon Ext. Brgy. Manggahan  
 Pasig City  
 Philippines,1611  
 Tel: +63 2 687 6086, 687 6089, 687 6097  
 Fax: +63 2 687 7937  
 E-mail: enquiry@ph.megachem.com

**MEGACHEM INTERNATIONAL TRADING (SHANGHAI) CO., LTD**  
 988 Dingxi Road,  
 Unit 1502, Yintong Building,  
 Shanghai, China 200050  
 Tel: +86 21 5237 5028  
 Fax: +86 21 5237 5025  
 E-mail: enquirysh@cn.megachem.com

**MEGACHEM INTERNATIONAL TRADING (BEIJING) CO., LTD**  
 Room 2212, Building 7,  
 First City Mingdun Dao,  
 External Guangqumenwai Street,  
 Dongcheng District Beijing,  
 China 100022  
 Tel: +86 10 8751 2969  
 Fax: +86 10 8751 3382  
 E-mail: enquirybj@cn.megachem.com

**MEGACHEM (UK) LTD**  
 Castlegate Business Park,  
 Caldicot, Monmouthshire,  
 NP26 5AD, United Kingdom  
 Tel: +44 0 1291 422 747  
 Fax: +44 0 1291 422 479  
 E-mail: enquiry@uk.megachem.com

**MEGACHEM MIDDLE EAST FZE**  
 LIU 10 Unit AB03 South Zone,  
 Jebel Ali Free Zone,  
 Dubai, United Arab Emirates  
 Tel: +971 4 866 5458, 286 6143  
 Fax: + 971 4 285 1615  
 E-mail: enquiry@uae.megachem.com

**MEGACHEM VIETNAM COMPANY LIMITED**  
 Unit 703, 7<sup>th</sup> Floor  
 45 Dinh Tien Hoang Street,  
 Ben Nghe Ward District 1,  
 Ho Chi Minh City, Vietnam  
 Tel: +84 28 3910 6638  
 Fax: +84 28 3910 6636  
 E-mail: enquiry@vn.megachem.com

**MEGACHEM SPECIALTY CHEMICALS (I) PRIVATE LIMITED**  
 Fairmount, 702 & 703, Plot no 4 and 6,  
 Sanpada, Palm Beach Road, Sector 17,  
 Navi Mumbai, Maharashtra 400705, India  
 Tel: +91 22 4026 0957, 4026 0958  
 Fax: +91 22 4026 0907  
 E-mail: info@in.megachem.com

**MG CHEMICALS (AUSTRALIA) PTY LTD**  
 Suite 8, 12 Pascoe Vale Road  
 Moonee Ponds  
 Victoria Australia 3039  
 Tel: +61 03 9326 2882  
 Fax: +61 03 9375 7886  
 E-mail: enquiry@au.megachem.com

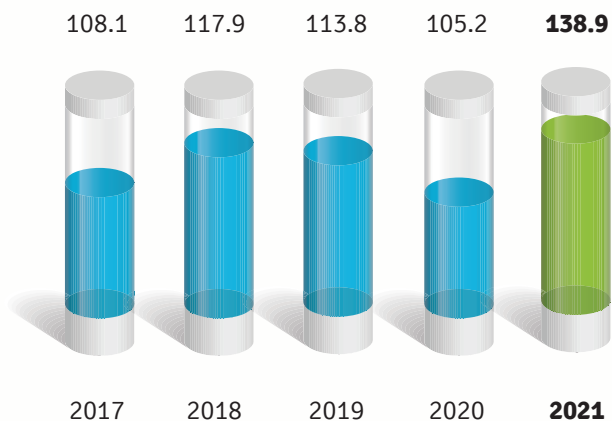
**MEGACHEM (MYANMAR) LIMITED**  
 No.42:/302(B), Set Hmu 1<sup>st</sup> Road,  
 Set Hmu Zone 1,  
 Shwe Pyi Thar Township, Yangon, Myanmar 11411  
 Tel: + 951 860 4030  
 E-mail: teresa@megachemmyanmar.com

**MEGA FUJI GRAPHITE LTD**  
 25 Soi Chalongkrung 31,  
 Ladkrabang Industrial Estate Soi G1/9,  
 Lamplathew, Ladkrabang,  
 Bangkok 10520, Thailand  
 Tel: +66 2 739 6333  
 Fax: +66 2 739 6332  
 Email: enquiry@megafujigraphite.co.th

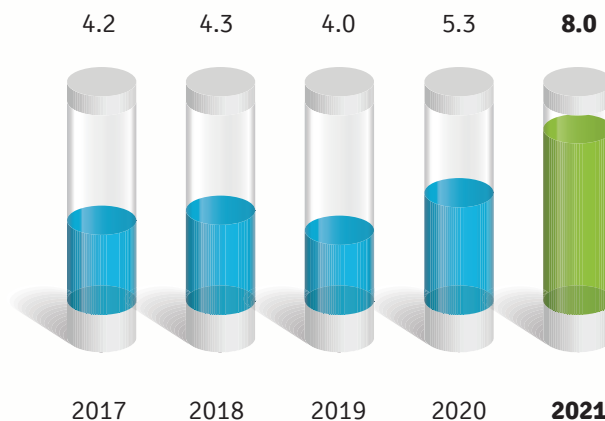
**GREEN LEAF CHEMICAL CO., LTD**  
 15/8 – 15/9 Pattana Chonnabot 3 Road,  
 Khlongsongtonnun, Lat Krabang,  
 Bangkok 10520, Thailand  
 Tel: +66 2 045 2935, 045 2940-2, 138, 9642  
 Fax: +66 2 138 9624  
 E-mail: info@greenleafchemical.net

# FINANCIAL HIGHLIGHTS

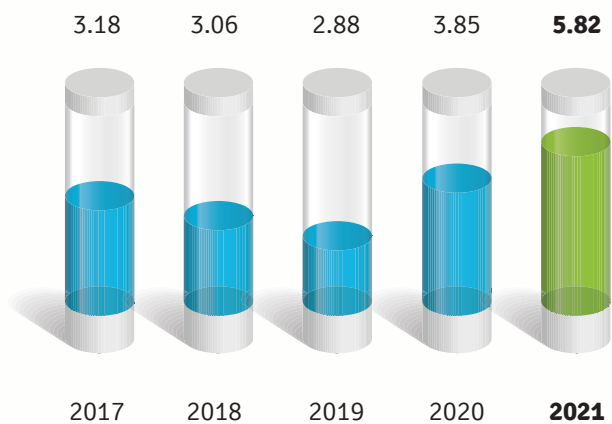
## SALES (\$S'MIL)



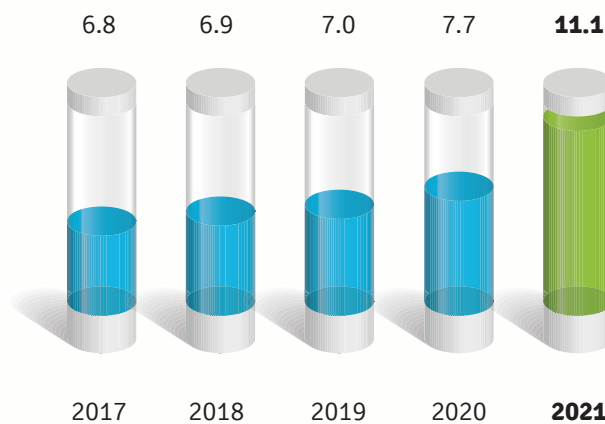
## PROFIT AFTER TAX (\$S'MIL)



## EPS (CENTS)



## EBITDA (\$S'MIL)



## FINANCIAL HIGHLIGHTS

<b>INCOME STATEMENT</b>	2017	2018	2019	2020	<b>2021</b>
Sales (S\$'mil)	108.1	117.9	113.8	105.2	<b>138.9</b>
Sales Growth (%)	8.4%	9.0%	-3.5%	-7.5%	<b>32.0%</b>
Profit After Tax (S\$'mil)	4.2	4.3	4.0	5.3	<b>8.0</b>
Profit After Tax Growth (%)	88.1%	1.9%	-6.8%	32.0%	<b>52.0%</b>
Profit After Tax Margin (%)	3.9%	3.6%	3.5%	5.0%	<b>5.8%</b>
EBITDA (S\$'mil)	6.8	6.9	7.0	7.7	<b>11.1</b>
EPS (cents)	3.18	3.06	2.88	3.85	<b>5.82</b>
Weighted Average Number of Ordinary Shares (mil)	133.3	133.3	133.3	133.3	<b>133.3</b>
ROE (%)	9.5%	8.7%	7.7%	9.8%	<b>13.6%</b>
<b>HALF-YEAR BREAKDOWN</b>	2017	2018	2019	2020	<b>2021</b>
Sales for first half (S\$'mil)	51.4	59.0	55.8	52.0	<b>65.9</b>
% Growth 1H vs 1H	0.2%	14.8%	-5.5%	-6.7%	<b>26.7%</b>
Sales for second half (S\$'mil)	56.7	58.9	58.0	53.2	<b>73.0</b>
% Growth 2H vs 2H	17.0%	3.8%	-1.4%	-8.3%	<b>37.1%</b>
Profit After Tax for first half (S\$'mil)	2.2	2.4	2.0	2.8	<b>3.8</b>
% Growth 1H vs 1H	139.1%	8.9%	-16.0%	39.9%	<b>34.0%</b>
Profit After Tax for second half (S\$'mil)	2.0	1.9	2.0	2.4	<b>4.2</b>
% Growth 2H vs 2H	52.3%	-6.0%	4.9%	24.0%	<b>72.7%</b>
<b>FINANCIAL POSITION</b>	2017	2018	2019	2020	<b>2021</b>
Total Assets (S\$'mil)	79.9	81.7	86.2	91.3	<b>110.9</b>
Shareholders Equity (S\$'mil)	44.6	47.2	49.6	52.4	<b>57.3</b>
Net Asset/Share (cents)	33.47	35.38	37.24	39.33	<b>42.95</b>
Borrowings (S\$'mil)	16.7	19.5	18.4	19.3	<b>28.9</b>
Gearing ratio (times)	0.37	0.41	0.37	0.37	<b>0.51</b>
Cash (S\$'mil)	9.3	12.2	14.9	16.2	<b>11.5</b>
Current ratio (times)	2.1	2.1	2.2	2.2	<b>1.8</b>
<b>DIVIDEND</b>	2017	2018	2019	2020	<b>2021</b>
Net Dividend/Share (cents)	1.2	1.5	1.5	1.5	<b>2.0</b>
Net Dividend Payout (%)	37.7%	49.0%	51.9%	39.0%	<b>34.4%</b>
Net Dividend Yield (%) (1)	2.8%	4.1%	4.8%	4.8%	<b>5.3%</b>

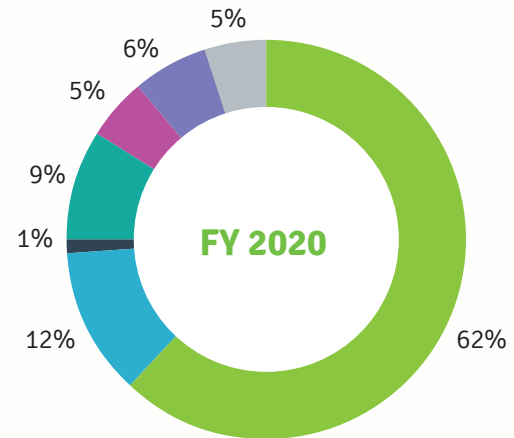
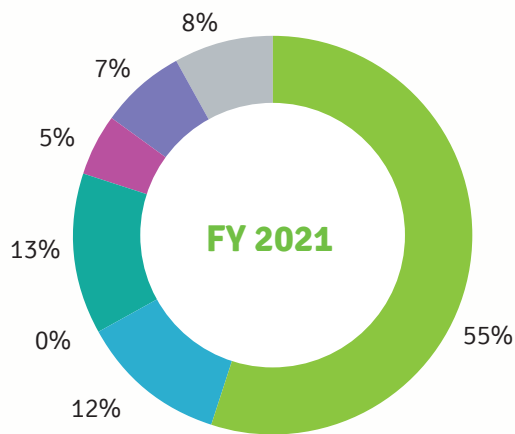
Note:

(1) Average price is the average of 31 December 2020 closing price of 33 cents/share and 31 December 2021 closing price of 42 cents/share.

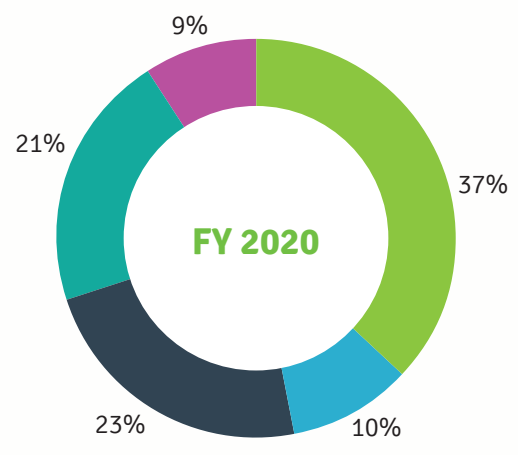
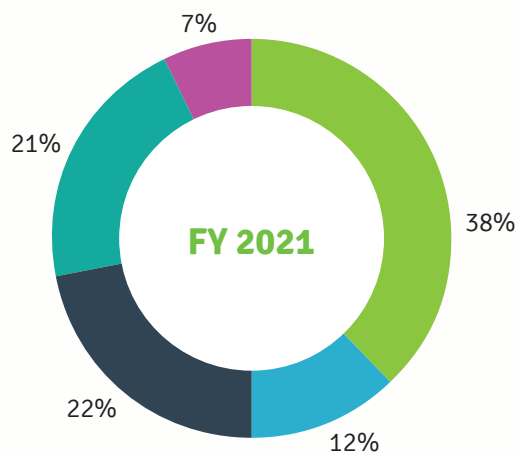
(2) Dividend Yield = Full year dividend per share/average price

# FINANCIAL HIGHLIGHTS

## GLOBAL MARKETS



## INDUSTRY COVERAGE





# OPERATING AND FINANCIAL REVIEW

## 1. PROFITABILITY REVIEW

	H2 2021		H1 2021		Variance Fav/(Unfav)		Variance Fav/(Unfav)	
	H2 2021 vs H1 2021		H2 2021 vs H2 2020		H2 2021 vs H1 2021		H2 2021 vs H2 2020	
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
ASEAN	37,274	39,122	(1,848)	(4.7)	32,351	4,923	15.2	
Europe	10,275	8,292	1,983	23.9	4,534	5,741	126.6	
North Asia	9,281	7,670	1,611	21.0	7,107	2,174	30.6	
Australia	6,538	4,355	2,183	50.1	3,072	3,466	112.8	
Middle East	5,383	3,665	1,718	46.9	3,030	2,353	77.7	
South Asia	3,708	2,660	1,048	39.4	2,960	748	25.3	
America	486	131	355	271.0	140	346	247.1	
Africa	48	14	34	242.9	27	21	77.8	
Total	72,993	65,909	7,084	10.7	53,221	19,772	37.1	

	FY 2021		FY 2020		Variance Fav/(Unfav)	
	S\$'000	%	S\$'000	%	S\$'000	%
ASEAN	76,396	55.0	65,513	62.3	10,883	16.6
Europe	18,567	13.4	9,578	9.1	8,989	93.9
North Asia	16,951	12.2	12,762	12.1	4,189	32.8
Australia	10,893	7.8	5,381	5.1	5,512	102.4
Middle East	9,048	6.5	6,486	6.2	2,562	39.5
South Asia	6,368	4.6	4,953	4.7	1,415	28.6
America	617	0.5	527	0.5	90	17.1
Africa	62	-	39	-	23	59.0
Total	138,902	100.0	105,239	100.0	33,663	32.0

# OPERATING AND FINANCIAL REVIEW

## GEOGRAPHIC SEGMENT SALES ANALYSIS

### H2 2021 vs H1 2021

As demand for chemicals continue to hold up and prices remain robust in the second half of 2021 (“H2 2021”), sales in H2 2021 outperformed first half of 2021 (“H1 2021”), setting a new record high. Most of our markets recorded higher sales over H1 2021 except for ASEAN. The biggest growth came from Australia market which recorded an increase in sales of S\$2.2 million or 50.1% as compared to H1 2021. Other markets such as Europe, Middle East and North Asia recorded higher sales in the range of S\$1.6 million to S\$2.0 million while sales to South Asia and America increased by a smaller magnitude of S\$1.0 million and S\$0.4 million respectively.

Sales to ASEAN normalised to S\$37.3 million in H2 2021 or a marginal decrease of S\$1.8 million or 4.7% after a surge in recovery in H1 2021.

This resulted in an increase in total sales of S\$7.1 million or 10.7% to S\$73.0 million in H2 2021 vis-à-vis sales of S\$65.9 million in H1 2021.

### H2 2021 vs H2 2020

As business condition improved in 2021 as compared to 2020, total sales in H2 2021 increased by S\$19.8 million or 37.1% vis-à-vis second half of 2020 (“H2 2020”). Rebound was the strongest in Europe market followed by ASEAN, Australia, Middle East and North Asia markets. Sales to Europe and Australia markets more than doubled in H2 2021 over H2 2020, increasing by S\$5.7 million and S\$3.5 million respectively.

Other markers such as ASEAN recorded growth of S\$4.9 million or 15.2% while North Asia and Middle East recorded higher sales of S\$2.2 million or 30.6% and S\$2.4 million or 77.7% respectively. South Asia and America markets recorded smaller magnitude of growth of S\$0.7 million and S\$0.3 million respectively.

### FY 2021 vs FY 2020

Sales for the full year of 2021 (“FY 2021”) increased by S\$33.7 million or 32.0% as compared to full year of 2020 (“FY 2020”). The sales growth was broad-based across the various markets.

All the markets recorded growth with ASEAN and Europe leading the recovery, recording an increase in sales of S\$10.9 million or 16.6% and S\$9.0 million or 93.9% respectively. Other markets such as Australia, North Asia and Middle East performed better as well with higher sales recorded in the range of S\$2.6 million to S\$5.5 million while South Asia recorded a small growth of S\$1.4 million.

## BUSINESS ACTIVITY SEGMENT SALES BREAKDOWN

			Variance Fav/(Unfav)				Variance Fav/(Unfav)	
	H2 2021	H1 2021	H2 2021 vs H1 2021		H2 2020	H2 2021 vs H2 2020		
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Distribution activity	70,465	63,445	7,020	11.1	51,314	19,151	37.3	
Manufacturing activity	2,528	2,464	64	2.6	1,907	621	32.5	
Total Sales	72,993	65,909	7,084	10.7	53,221	19,772	37.1	

	FY 2021	FY 2020	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Distribution activity	133,910	101,768	32,142	31.6
Manufacturing activity	4,992	3,471	1,521	43.8
Total Sales	138,902	105,239	33,663	32.0

## OPERATING AND FINANCIAL REVIEW

### H2 2021 vs H1 2021

### H2 2021 vs H2 2020

Both segments recorded higher sales in H2 2021 as compared to H1 2021 and H2 2020.

Sales from distribution segments increased by S\$7.0 million or 11.1% and S\$19.2 million or 37.3% in H2 2021 over H1 2021 and H2 2020 respectively.

Sales from the contract manufacturing segment improved marginally by S\$0.1 million or 2.6% as compared to H1 2021 and increased by S\$0.6 million or 32.5% vis-à-vis H2 2020.

### FY 2021 vs FY 2020

Year-on-year, sales from distribution segment increased by S\$32.1 million or 31.6% while sales from manufacturing segment increased by S\$1.5 million or 43.8%.

## GROSS PROFIT

### H2 2021 vs H1 2021

### H2 2021 vs H2 2020

Gross profit margin dipped slightly in H2 2021 (24.3%) as compared to H1 2021 (24.9%) due to lower margin in certain markets and stock written down as a result of damages to our inventory in third party warehouses.

Similarly, gross profit margin was lower in H2 2021 (24.3%) as compared to H2 2020 (25.0%) due to higher freight costs and stock written down as a result of damages to our inventory in third party warehouses.

Because of higher sales achieved in H2 2021 over both H1 2021 and H2 2020, gross profit increased by S\$1.3 million or 8.0% over H1 2021 and S\$4.4 million or 33.1% as compared to H2 2020.

### FY 2021 vs FY 2020

Gross profit margin for FY 2021 declined slightly to 24.6% as compared to 25.2% in FY 2020 mainly due to high freight costs in FY 2021.

As higher sales were achieved in FY 2021, gross profit increased year-on-year by S\$7.6 million or 28.7% to S\$34.1 million.

## OTHER INCOME

	H2 2021	H1 2020	Variance Fav/(Unfav)		H2 2020	Variance Fav/(Unfav)	
	S\$'000	S\$'000	H2 2021 vs H1 2021	%	S\$'000	H2 2021 vs H2 2020	%
Change in fair value of financial assets at fair value through profit or loss							
– forward foreign exchange contract	14	43	(29)	(66.2)	4	10	237.6
– listed equity security	–	200	(200)	(100.0)	100	(100)	(100.0)
Compensation claims	129	–	129	NM	–	129	NM
Grant income	77	243	(166)	(68.5)	522	(445)	(85.3)
Interest income	35	54	(19)	(35.7)	95	(60)	(63.6)
Net foreign exchange gain	21	–	21	NM	–	21	NM
Trade receivables recovered	170	168	2	1.2	265	(95)	(35.8)

## OPERATING AND FINANCIAL REVIEW

	FY 2021	FY 2020	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Change in fair value of financial assets at fair value through profit or loss				
– listed equity security	200	128	72	56.9
Compensation claims	129	–	129	NM
Grant income	320	1,158	(838)	(72.3)
Interest income	89	192	(103)	(53.7)
Net foreign exchange gain	–	52	(52)	(100.0)
Trade receivables recovered	338	364	(27)	(7.3)

NM : not meaningful

### H2 2021 vs H1 2021

Other income in H2 2021 decreased by S\$270,000 or 37.1% as compared to H1 2021. This was partly due to the absence of fair value gain from listed equity of S\$200,000. As government support for the pandemic ceased, grant income in H2 2021 was lower by S\$166,000.

The decrease was partially offset by compensation claim of S\$129,000 mostly for damages to our inventory in third party warehouses.

### H2 2021 vs H2 2020

Similarly, other income was lower by S\$538,000 or 53.9% year-on-year mainly due to lower grant income of S\$445,000, lower trade receivables recovered of S\$95,000, lower interest income of S\$60,000 and the absence of fair value gain from listed equity of S\$100,000.

The reduction was offset by compensation claim of S\$129,000 mostly for damages to our inventory in third party warehouses.

### FY 2021 vs FY 2020

As compared to FY 2020, other income decreased by S\$813,000 or 42.0%. This was mainly due to lower grant income of S\$838,000, lower interest income of S\$103,000, lower trade receivables recovered of S\$27,000 and the absence of net foreign exchange gain (net foreign exchange loss was recognised in FY 2021 under operating expenses).

The decrease was partly offset by compensation claim of S\$129,000 mostly for damages to our inventory in third party warehouses and higher fair value gain from listed equity of S\$72,000.

## OPERATING AND FINANCIAL REVIEW

## OPERATING EXPENSES

	H2 2021		Variance Fav/(Unfav)		H2 2020		Variance Fav/(Unfav)	
	H2 2021	H1 2021	H2 2021 vs H1 2021		H2 2020	H2 2021 vs H2 2020		
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Change in fair value of financial liabilities at fair value through profit or loss								
– forward foreign exchange contracts	35	9	(26)	(277.4)	164	129	78.4	
Depreciation of property, plant and equipment	364	399	35	8.7	444	80	18.0	
Depreciation of right-of-use assets	239	209	(30)	(14.3)	170	(69)	(40.4)	
Employee remuneration	9,389	8,275	(1,114)	(13.5)	7,283	(2,106)	(28.9)	
Impairment of trade receivables	19	81	62	76.1	19	–	(2.1)	
Net foreign exchange loss	–	216	216	100.0	78	78	100.0	
Professional fees	404	389	(15)	(4.1)	389	(15)	(3.9)	
Transport charges	503	423	(80)	(19.1)	385	(119)	(30.9)	
Warehouse storage charges	1,320	1,284	(36)	(2.8)	1,305	(15)	(1.1)	

	FY 2021	FY 2020	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Change in fair value of financial liabilities at fair value through profit or loss				
– forward foreign exchange contracts	35	164	129	78.4
Depreciation of property, plant and equipment	763	884	121	13.7
Depreciation of right-of-use assets	448	355	(93)	(26.2)
Employee remuneration	17,663	14,478	(3,185)	(22.0)
Impairment of trade receivables	100	73	(27)	(37.0)
Net foreign exchange loss	161	–	(161)	NM
Professional fees	793	697	(96)	(13.7)
Warehouse storage charges	2,604	2,579	(25)	(1.0)
Transport charges	926	752	(174)	(23.1)

## OPERATING AND FINANCIAL REVIEW

### H2 2021 vs H1 2021

### H2 2021 vs H2 2020

Total operating expenses for H2 2021 increased by S\$0.9 million or 6.9% and S\$1.9 million or 15.6% to S\$13.9 million as compared to H1 2021 and H2 2020 respectively. The main reasons for the increase over both periods were higher employee remuneration and higher transport charges.

Higher employee remuneration of S\$1.1 million and S\$2.1 million vis-à-vis H1 2021 and H2 2020 respectively were recorded primarily due to increase in headcount and higher performance-related rewards while higher transport charges of S\$0.1 million in H2 2021 were in line with higher sales recorded in H2 2021.

This was partly offset by absence of net foreign exchange loss of S\$0.2 million and S\$0.1 million recorded in H1 2021 and H2 2020 respectively.

H2 2021 also recorded lower trade receivables impairment of S\$0.1 million as compared to H1 2021 and lower fair value loss from forward exchange contract of S\$0.1 million as compared to H2 2020.

### FY 2021 vs FY 2020

Year-on-year, total operating expenses for FY 2021 increased by S\$3.5 million or 14.9%.

Higher employee remuneration of S\$3.2 million was in line with better performance and higher transport charges of S\$0.2 million was in line with higher sales achieved. Net foreign exchange loss of S\$0.2 million was recognised as opposed to a net foreign exchange gain in FY 2020.

Higher professional fees of S\$0.1 million were incurred in relation to recovery of trade receivable and trade mark expenses. Higher depreciation of right-of-use assets were recorded due to new assets recognised in FY 2021.

The increase was partly offset by lower fair value loss from forward exchange contract of S\$0.1 million.

## FINANCE COSTS

Finance costs comprised the following:-

			Variance Fav/(Unfav)		Variance Fav/(Unfav)		
	H2 2021	H1 2021	H2 2021 vs H1 2021		H2 2020	H2 2021 vs H2 2020	
	S\$'000	S\$'000	S\$'000	%	S\$'000	S\$'000	
Bills payables	164	195	31	16.4	98	(66)	(66.3)
Bank loans	156	82	(74)	(89.6)	121	(35)	(28.3)
Bank overdraft	40	20	(20)	(105.9)	10	(30)	(291.9)
Leases for right-of-use assets	73	74	1	1.5	72	(1)	(2.5)
Total finance costs	433	371	(62)	(16.5)	301	(132)	(43.6)

## OPERATING AND FINANCIAL REVIEW

	FY 2021	FY 2020	Variance Fav/(Unfav)	
	S\$'000	S\$'000	S\$'000	%
Bills payables	359	261	(98)	(37.5)
Bank loans	238	313	75	24.1
Bank overdraft	60	10	(50)	(482.2)
Leases for right-of-use assets	147	142	(5)	(4.1)
Total finance costs	804	726	(78)	(10.7)

### H2 2022 vs H1 2021

### H2 2021 vs H2 2020

Finance costs for H2 2021 increased by S\$62,000 or 16.5% over H1 2021 mainly due to higher short term bank loans drawn in H2 2021 to support operating activities.

Similarly, finance costs increased over H2 2020 by S\$132,000 or 43.6% mainly due to higher trade borrowings and short term bank loans to finance higher working capital requirement to support higher sales level.

### FY 2021 vs FY 2020

For the same reasons noted above, finance costs increased by S\$78,000 or 10.7% over FY 2020.

## SHARE OF PROFIT OF ASSOCIATED COMPANIES

### H2 2021 vs H1 2021

### H2 2021 vs H2 2020

Our share of profit of associated companies decreased marginally by S\$39,000 or 4.8% as compared to H1 2021.

Vis-à-vis H2 2021, our share of profit of associated companies increased by S\$80,000 or 11.2% as business conditions improved in 2021.

### FY 2021 vs FY 2020

Our share of profit of associated companies for FY 2021 was relatively flat at S\$1.6 million as compared to FY 2020. The improvement in overall distribution business in FY 2021 helped to compensate for fall in demand for cleaning chemicals following a surge in FY 2020.

## PROFIT BEFORE INCOME TAX AND NET PROFIT AFTER TAX

### H2 2021 vs H1 2021

Profit before tax was relatively flat at S\$4.6 million while EBITDA at S\$5.6 million was S\$0.1 million or 2.2% higher than H1 2021.

On the other hand, income tax expense was lower by S\$0.4 million due to adjustments for prior year income tax expense. As a result, net profit after tax increased by S\$0.4 million or 11.4% over H1 2021.

Excluding grant income, profit before tax would have increased by S\$0.2 million or 4.9% and net profit after tax would be S\$0.6 million or 16.9% higher.

## OPERATING AND FINANCIAL REVIEW

### H2 2021 vs H2 2020

Net profit before tax and EBITDA increased by S\$1.9 million or 72.2% and S\$2.1 million or 60.4% respectively as a result of higher gross profit achieved.

Net profit after tax increased by S\$1.8 million or 72.7% as income tax expenses were higher by S\$0.2 million.

Excluding grant income, profit before tax would have increased by S\$2.4 million or 110.3% and net profit after tax would be S\$2.2 million or 114.6% higher.

### FY 2021 vs FY 2020

Similarly, profit before tax and EBITDA increased by S\$3.3 million or 54.7% and S\$3.4 million or 44.1% to S\$9.2 million and S\$11.1 million respectively to as a result of higher gross profit achieved.

Net profit after tax increased by S\$2.7 million or 52.0% on the back of higher sales.

Excluding grant income, profit before tax would have increased by S\$4.1 million or 85.5% and net profit after tax would be S\$3.6 million or 86.3% higher.

### TOTAL COMPREHENSIVE INCOME

These translation gains or losses arise from translation of foreign currency denominated asset and liabilities of subsidiaries and associated companies. Translation losses of S\$0.2 million and S\$0.5 million in H2 2021 and FY 2021 respectively were largely due to the depreciation of Thai Baht against Singapore Dollar.

### H2 2021 vs H1 2021

### H2 2021 vs H2 2020

As translation losses in H2 2021 were S\$0.1 million lower than translation losses in H1 2021 of S\$0.3 million, comprehensive income for H2 2021 increased by S\$0.6 million or 17.4% to S\$4.1 million as compared to H1 2021.

Similarly, translation losses for H2 2021 were S\$0.3 million lower than translation losses in H2 2020 of S\$0.5 million, comprehensive income for H2 2021 increased by S\$2.1 million or 103.3% as compared to H2 2020.

### FY 2021 vs FY 2020

Year-on-year, comprehensive income increased by S\$2.6 million or 52.5% as translation losses in FY 2021 were higher by S\$0.1 million.



## OPERATING AND FINANCIAL REVIEW

### 2. FINANCIAL POSITION REVIEW

Financial Position Highlights	As at		Variance 31 December 2021 vs 31 December 2020 Fav/(Unfav)
	31 December 2021	31 December 2020	
Cash (S\$'mil)	11.5	16.2	(4.7)
Borrowings (S\$'mil)	28.9	19.3	(9.6)
Current ratio (times)	1.8	2.2	(0.4)
Gearing ratio (times)	0.51	0.37	(0.14)
Net assets per share attributable to equity holders of the Company (cents)	42.95	39.33	3.62
Inventory turnover (days)	120	133	13
Trade receivables turnover (days)	73	80	7
Trade payable turnover (days)	24	34	(10)

#### Property, plant and equipment

The carrying value of property, plant and equipment increased by S\$2.6 million from S\$12.7 million as at 31 December 2020 to S\$15.2 million as at 31 December 2021. The increase was due to additional capital expenditure of S\$3.4 million, out of which S\$3.0 million relate to construction of our warehouse in Malaysia, offset by depreciation charge of S\$0.8 million for the current year.

#### Right-of-use assets

The carrying value of right-of-use assets increased by S\$0.1 million from S\$2.7 million as at 31 December 2020 to S\$2.8 million as at 31 December 2021 mainly due to new lease assets recognised of S\$0.6 million offset by depreciation charge of S\$0.4 million in the current year.

#### Investment in associated companies

The increase in carrying value of our associated companies by S\$0.4 million was mainly due to positive contribution from operation in the current year of S\$1.6 million offset by dividend return of S\$0.6 million and translation loss of S\$0.6 million.

#### Trade and other receivables

Net trade receivables increased by S\$7.0 million or 29.5% from S\$23.6 million as at 31 December 2020 to S\$30.6 million as at 31 December 2021. The increase was because of higher sales in H2 2021 as compared to H2 2020. Turnover days improved by 7 days from 80 days for FY 2020 to 73 days for FY 2021.

#### Inventories

Inventories increased by S\$12.1 million or 49.6% from S\$24.4 million as at 31 December 2020 to S\$36.5 million as at 31 December 2021. The increase in inventory was mainly to support higher sales to ensure continuity of supply to customers. Inventory turnover days improved by 13 days from 133 days for FY 2020 to 120 days for FY 2021 as sales improved.

#### Other current assets

Other current assets increased by S\$2.0 million or 79.5% to S\$4.5 million as at 31 December 2021 primarily due to higher advance payments to suppliers of S\$1.8 million in tandem with higher purchases.

# OPERATING AND FINANCIAL REVIEW

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

The carrying value of financial assets at fair value through profit or loss increased by S\$210,000 mainly due to fair value gain from listed equity of S\$200,000 in FY 2021.

Financial liabilities at fair value through profit or loss decreased by S\$0.1 million to S\$35,000 as at 31 December 2021 as compared to 31 December 2020.

## Trade and other payables

Total trade payables increased by S\$1.5 million or 21.7% from S\$6.8 million as at 31 December 2020 to S\$8.3 million as at 31 December 2021 as higher purchases were made in H2 2021. Turnover days shorten to 24 days in FY 2021 as compared to 34 days in FY 2020.

Other payables in aggregate consisting of accrued operating expenses, advance payments from customer and sundry payables increased by S\$3.0 million from S\$6.7 million as at 31 December 2020 to S\$9.7 million as at 31 December 2021. The increase was mainly due to higher accrual of operating expenses of S\$2.5 million, higher sundry creditors of S\$0.5 million and higher advance payment received from customer of S\$0.2 million offset by reduction in deferred income of S\$0.2 million.

## Financial liabilities – lease liabilities

The carrying value of lease liabilities increased from S\$2.8 million as at 31 December 2020 to S\$2.9 million as at 31 December 2021. Additional lease liabilities recognised of S\$0.6 million and accretion of interest of S\$148,000 were offset by repayment of lease liabilities of S\$0.5 million in FY 2021.

## Borrowings

Total borrowings increased by S\$9.6 million or 49.7% from S\$19.3 million as at 31 December 2020 to S\$28.9 million as at 31 December 2021. This increase in trade borrowings and short term bank loans were used to finance higher working capital requirement corresponding to an increase in sales level.

In line with higher total borrowings, our gearing ratio increased from 0.37 times as at 31 December 2020 to 0.51 times as at 31 December 2021.

## Net asset per share attributable to equity holders of the Company

Net asset value per share increased from 39.33 cents as at 31 December 2020 to 42.95 cents as at 31 December 2021 primarily due to comprehensive income recorded for equity holders of S\$7.2 million less dividend payment of S\$2.4 million in FY 2021.

## 3. CASHFLOW REVIEW

Negative cash flow from operating activities of S\$7.9 million was generated in FY 2021 despite recording net profit after tax of S\$8.0 million in FY 2021. This was due to higher working capital requirements (ie higher trade receivables, higher purchases of inventory, higher advance payments to suppliers) corresponding to an increase in business activities. The higher working capital requirements were mostly financed through borrowings.

Other major cash outflows under investing and financing activities in FY 2021 were payments for property, plant and equipment of S\$3.4 million, which include S\$3.0 million for the warehouse construction in Malaysia, payments for dividends of S\$2.4 million and repayment of long term bank loans of S\$0.9 million.

As such, overall cash and cash equivalents decreased by S\$4.8 million from S\$15.9 million as at 31 December 2020 to S\$11.1 million as at 31 December 2021.

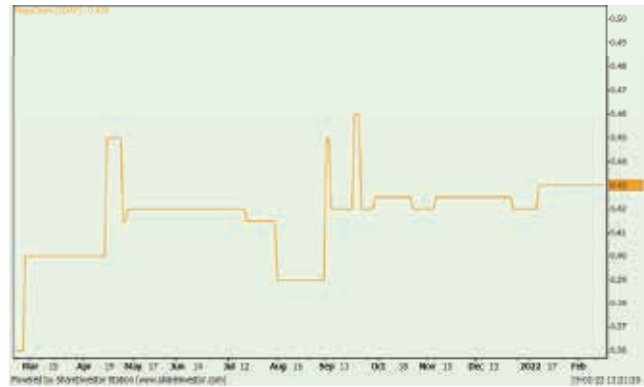
# SHARE INFORMATION

SHARE INFORMATION (AS AT 18 FEBRUARY 2022)	
Listing Date	17 October 2003
IPO Price	28 cents
Historical High	68 cents
Historical Low	13 cents
52 weeks High	50 cents
52 weeks Low	35.5 cents
Price (as at 18 February 2022)	43 cents
No of Shares	133,300,000
Earnings per share FY21	5.82 cents
Historical P/E (a)	7.39 x
Market Capitalisation (as at 18 February 2022)	S\$57.3 mil
NTA/share	42.95 cents
Price/Book Ratio (b)	1.001

Note:

- (a) P/E = price as at 18 February 2022 / EPS FY 2021  
 (b) Price/Book ratio = price as at 18 February 2022 / NTA per share.

## MEGACHEM



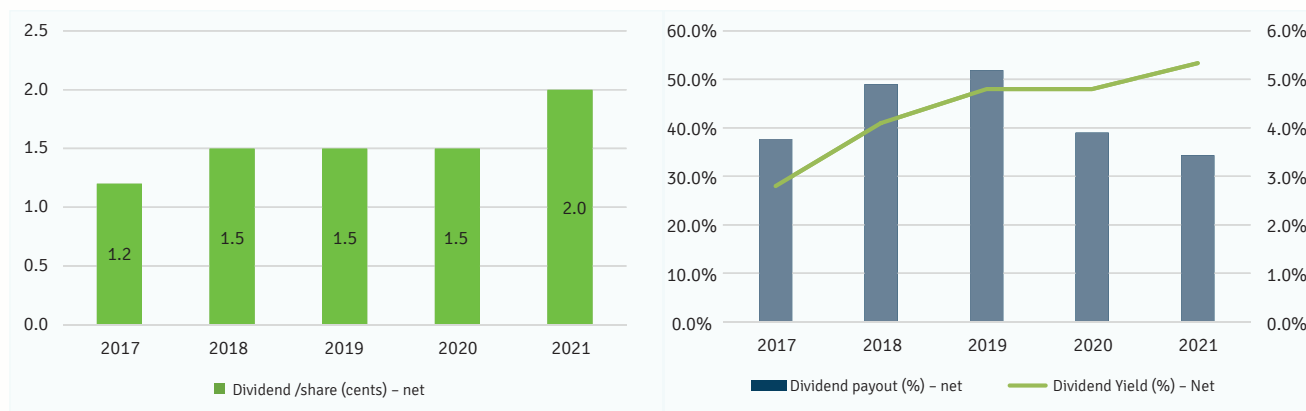
## MEGACHEM VS ST ALL SHARES & ST CATALIST



## DIVIDEND

### DIVIDEND

	FY 2021
Interim Dividend (cents/share)	0.8
Final Dividend (cents/share)	1.2
Total FY 2021 Dividend (cents/share)	2.0
FY 2021 Dividend Payout	34.4%
Dividend Yield	5.3%



\* Average price is the average of 31 December 2020 closing price of 33 cents/share and 31 December 2021 closing price of 42 cents/share.

\*\* Dividend yield = FY21 dividend per share/average price.

### DIVIDEND POLICY

In its consideration for dividend payment, the Company takes into account, among other factors, current cash position, future cash needs, profitability, retained earnings and business outlook. The Company takes the view that committing to a fixed dividend policy may jeopardise its financial position in times of adverse changes in 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.

## YEAR IN REVIEW

**FEBRUARY  
2021**

Despite the COVID-19 pandemic greatly affecting global economies and many businesses, Megachem achieved growth in net profit after tax of 32.0% year-on-year to S\$5.3 million. A final tax exempt dividend of 1.0 cent per share was proposed for FY 2020.

**MARCH  
2021**

- Megachem's associated company, Megachem (Thailand) Public Company ("Megachem Thailand"), incorporated a joint venture known as Mega Fuji Graphite Ltd ("Mega Fuji Graphite") in Thailand with an equity interest of 49%. The Company, through its shareholding in Megachem Thailand, has an indirect equity interest of approximately 17.7% in Mega Fuji Graphite. The principal activities of Megachem Fuji Graphite consists of production and sales of expandable graphite.

**APRIL  
2021**

Annual General Meeting for FY 2020.

**MAY  
2021**

A final tax exempt dividend of 1.0 cent per share for FY 2020 was paid.

**JUNE  
2021**

Mr Tan Bock Chia was re-designated as Non-Executive and Non-Independent Director with effect from 9 June 2021.

**AUGUST  
2021**

- Driven by a 26.7% growth in sales due to improved business conditions, Megachem reported 34.0% increase in net profit after tax to S\$3.8 million for the half year ended 30 June 2021. An interim tax exempt dividend of 0.8 cent per share was declared.
- Ms Hon Wei Ling was appointed as Joint Secretary of the Company with effect from 12 August 2021.

**SEPTEMBER  
2021**

- An interim tax exempt dividend of 0.8 cent per share was paid.
- Megachem's associated company, Megachem Thailand, approved the purchase of 55% of Green Leaf Chemical Co., Ltd ("GLC") at a purchase consideration of Thai Baht 82.5 million (approximately S\$3.37 million). The Company, through its shareholding in Megachem Thailand, has an indirect equity interest of approximately 19.9% in GLC. GLC is in the business of importing and distributing chemical materials for the manufacturing of personal care products.

**OCTOBER  
2021**

The acquisition of Green Leaf Chemicals Co., Ltd was completed.

**FEBRUARY  
2022**

- On the back of higher sales volume and prices, Megachem reported record revenue of S\$138.9 million and a 52% surge in net profit after tax to record level of S\$8.0 million for the financial year ended 31 December 2021. A final tax exempt dividend of 1.2 cent per share was proposed for FY 2021 (subject to approval by shareholders at its forthcoming annual general meeting).
- Megachem is proud to be a Platinum award recipient in EcoVadis Sustainability Ratings. In its Sustainability Assessment Report 2021, EcoVadis placed Megachem among the Top 1% of the companies that were assessed by them. This accolade is a testimony of the importance we place Sustainability in our overall strategy and a recognition of our Sustainability achievements. EcoVadis provides solution for monitoring sustainability in global supply chains and help companies adopt sustainable practices.

# FINANCIAL CALENDAR

## FEBRUARY 2022

**21** Results Announcement for the Second Half Year and Financial Year ended 31 December 2021

**22** Analyst Briefing

**22-** Online Q&A with investors & shareholders

**28**

## APRIL 2022

**18** Annual General Meeting

## AUGUST 2022

- Results Announcement for the Half Year ending 30 June 2022
- Analyst Briefing
- Online Q&A with investors & shareholders
- Response to Online Q&A

## MARCH 2022

**1-7** Response to Online Q&A

## JUNE 2022

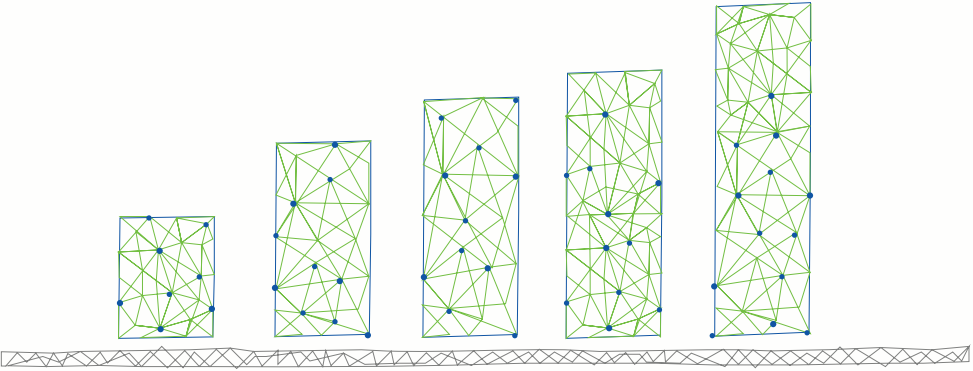
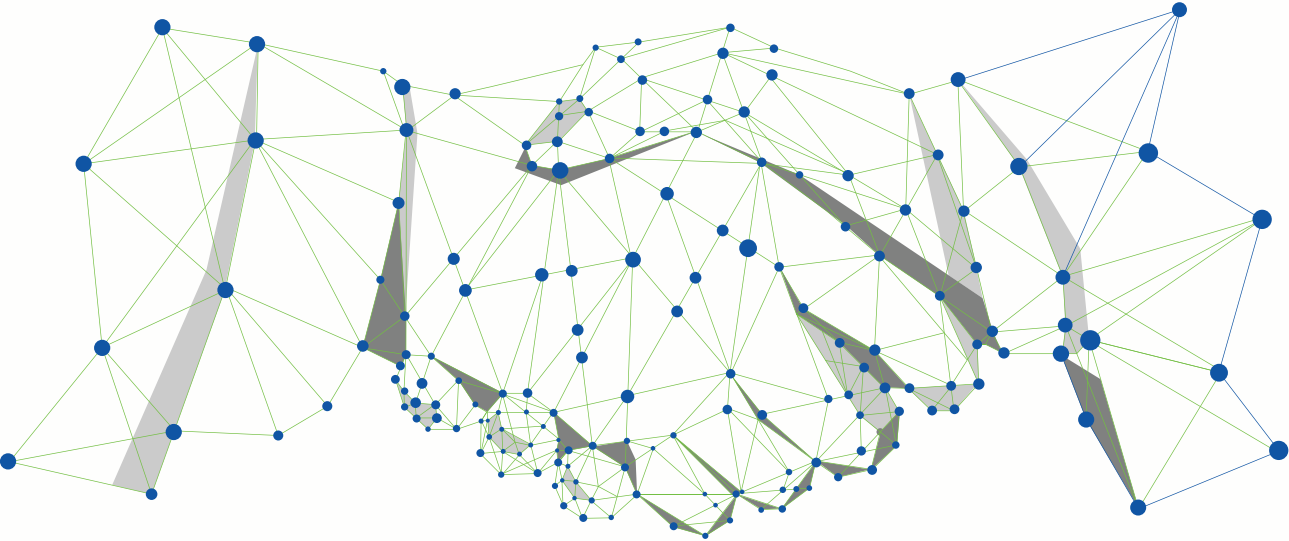
**13** Record Date (subject to approval at annual general meeting)

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

## FEBRUARY 2023

- Results Announcement for the Second Half Year and Financial Year ending 31 December 2022

# CORPORATE GOVERNANCE REPORT



# CORPORATE GOVERNANCE REPORT

The directors of Megachem strongly support the principles of transparency, accountability and integrity as set out in the Code of Corporate Governance 2018 (the “Code”). This report describes the Company’s corporate governance policies and practices which were in place during the financial year ended 31 December 2021 (“FY 2021”), with specific reference to the Principles and Provisions of the Code and accompanying Practice Guidance.

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

Pursuant to Rule 710 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) (“Catalist Rules”), the Board confirms that the Company and Group, have for FY 2021 complied with the Principles as set out in the Code. The Board also confirms that where there are deviations from the Provisions of the Code, explanations for the deviation and how the Group’s practices are consistent with the intent of the relevant principle are provided in the sections below:-

## BOARD MATTERS

### The Board’s Conduct of Affairs

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

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

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

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

(1) Mr Jeffrey Tan Bock Chia was re-designated as Non-Executive Non-Independent Director with effect from 9 June 2021 following the cessation of his executive duties and responsibilities.



## CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

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

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

## Provision 1.4 of the Code: Board Committees

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

## Provision 1.5 of the Code: Board Meetings and Attendance

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

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

The attendance of the Directors at scheduled Board Committee and Board meetings held in FY 2021 is set out below:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Mr Sidney Chew Choon Tee	5	5	2	NA	2	2	2	NA
Mr Jeffrey Tan Bock Chia	5	5	2	NA	2	NA	2	NA
Mr Lee Bon Leong	5	5	2	2	2	2	2	2
Mr Chan Kam Loon	5	5	2	2	2	2	2	2
Dr Tay Kin Bee	5	5	2	2	2	NA	2	2
Mr Yasutaka Kawamura	5	5	2	NA	2	NA	2	NA

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company. The NC is satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that some of the Directors have multiple board representations. The NC is of the view that the matter relating to multiple board representations should be left to the judgement of each Director given that time requirements for different board representations vary. As such, the NC and the Board have decided that there is no necessity to determine the maximum number of listed company board representations which a Director may hold. None of the Directors hold more than 3 directorships in listed companies concurrently.

## Provision 1.6 of the Code: Access to information

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

## CORPORATE GOVERNANCE REPORT

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

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

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

### Board Composition and Guidance

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

**Provision 2.1 of the Code: Director's independence**

**Provision 2.2 of the Code: Independent directors make up a majority of the Board**

**Provision 2.3 of the Code: Non-executive directors make up a majority of the Board**

The Board comprises six Directors, of whom three are independent. With an Independent Chairman of the Board and half of the Board made up of independent directors, the Board is capable of exercising independent and objective judgement on corporate affairs of the Group.

The independence of each Director is reviewed annually by the NC and the Board. Each Independent Director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code and the Catalist Rules. The NC adopts the Code's definition of what constitutes an "independent" director in its review. The NC takes into account, among other things, whether a Director has business relationships with the Company, its related companies, its substantial shareholders or its officers, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. Although Dr Tay Kin Bee is a director of SPCI Pte Ltd ("**SPCI**") and Chemical Industries (Far East) Ltd ("**CIFE**") which sold products to and/or purchase products from the Group, the NC considers him to be independent as he is not a shareholder of SPCI and CIFE and the amounts paid to SPCI and CIFE for the sale and/or purchase transactions are not material. As such the NC is of the view that the business relationship does not affect Dr Tay Kin Bee's ability and judgement to act independently. The NC and the Board are of the view that all its Independent Directors have satisfied the criteria of independence in accordance to the Code, its Practice Guidance and Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalist Rules as a result of its review.

The independence of any Director who has served on the Board beyond nine years from the date of his first appointment will be subject to more rigorous review, taking into account the need for progressive refreshing of the Board. As at the date of this report, Mr Lee Bon Leong and Mr Chan Kam Loon have served on the Board for a period exceeding nine years from the date of their appointments. Mr Lee Bon Leong's and Mr Chan Kam Loon's continued appointment as an independent director have been sought and approved by a two-tier shareholders vote on 16 April 2021. The 2-tier vote comprises 2 separate resolutions voted by (i) by all shareholders and (ii) by all shareholders excluding shareholders who are directors or CEO and their respective associates. The said approval will remain in force until the earlier of the following: (i) the retirement or resignation of the director; or (ii) the conclusion of the third annual general meeting upon the passing of the resolutions. Pursuant to the Company's Constitution, Mr Chan Kam Loon will retire at the Company's forthcoming annual general meeting and will be eligible for re-election. By 1 July 2022, Dr Tay Kin Bee would have served on the Board for a period of 9 years. Accordingly, in accordance with Rule 406(3)(d)(iii) of the Catalist Rules, Mr Chan Kam Loon and Dr Tay Kin Bee will be subjected to a re-election via a two-tier shareholders vote at the upcoming annual general meeting.

After due consideration and careful assessment, the NC and the Board are of the view that three directors have during their tenure acted independently in the best interest of Company. Mr Lee Bon Leong, Mr Chan Kam Loon and Dr Tay Kin Bee continue to demonstrate the essential characteristics of independence expected by the Board and in-depth knowledge of the Group's business. Furthermore, Mr Lee Bon Leong's legal expertise, Mr Chan Kam Loon's experience in accounting and finance and Dr Tay Kin Bee's experience in the industry contributed greatly to the effectiveness of the Board and matters relating to the strategic direction and corporate governance of the Group.

# CORPORATE GOVERNANCE REPORT

## Provision 2.4 of the Code: Board Composition

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

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The Company currently does not have a formal Board Diversity Policy. However, the Company recognises the benefits of having an effective and diverse Board, and views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. The Board as a group provides an appropriate balance of diversity of skills, experience and knowledge of the Company, with core competencies in accounting and finance, legal expertise, business and management experience, industry knowledge, strategic planning and customer-based experience and knowledge. This enables the Management to benefit from the external and expert perspectives of the Directors who collectively possess the core competencies relevant to the direction and growth of the Group.

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

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

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

## Chairman and Chief Executive Officer

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

**Provision 3.1 of the Code: Separation of the roles of the Chairman and the Chief Executive Officer ("CEO")**

**Provision 3.2 of the Code: Division of responsibilities between the Chairman and CEO**

**Provision 3.3 of the Code: Lead Independent Director**

The Chairman, Mr Lee Bon Leong, and the Managing Director, Mr Sidney Chew Choon Tee, are separate persons and have no familial relationship with each other. As the Chairman is independent, there is no necessity for the appointment of a Lead Independent Director.

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

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

The Chairman, in consultation with the Management, ensures:

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

## CORPORATE GOVERNANCE REPORT

### Board Membership

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

**Provision 4.1 of the Code: Role of the NC**

**Provision 4.2 of the Code: Composition of NC**

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

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

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

- (a) developing and maintaining a formal and transparent process for director appointments and re-nomination and making recommendations to the Board on director appointment and re-appointment (including the appointment of alternate Directors, if any), and recommending to the Board re-nominations of existing Directors for re-election in accordance with the Company's Constitution, having regard to their competencies, commitment, contribution and performance and taking into consideration the composition and progressive renewal of the Board;
- (b) making recommendations to the Board on relevant matters relating to the review of succession plans for the Directors, in particular, for the Chairman and Managing Director as well as for key management personnel;
- (c) reviewing and approving any new employment of related persons and the proposed terms of their employment;
- (d) determining on an annual basis, and as and when circumstances require, whether or not a Director is independent;
- (e) in respect of a Director who has multiple board representations on various companies, to review and decide whether or not such Director is able to and has been adequately carrying out his duties as a Director, having regard to the competing time commitments that are faced by the Director when serving on multiple boards and discharging his duties towards other principal commitments;
- (f) reviewing training and professional development programs for the Board;
- (g) developing a process for evaluating the performance of the Board, its committees and the Directors and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long-term shareholders' value; and
- (h) assessing the effectiveness of the Board as a whole and its Board committees and the contribution by the Chairman and each individual Director to the effectiveness of the Board.

**Provision 4.3 of the Code: Board renewal and succession planning**

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

## CORPORATE GOVERNANCE REPORT

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

Pursuant to the Company's Constitution, Mr Sidney Chew Choon Tee and Mr Chan Kam Loon will retire at the Company's forthcoming annual general meeting and will be eligible for re-election. Accordingly, the NC has recommended the aforesaid re-election of these two Directors and the Board has accepted the NC's recommendation. In recommending the re-election of Mr Sidney Chew Choon Tee and Mr Chan Kam Loon, the NC has considered the Directors' overall contributions and performance. In addition, there are no relationships, including immediate family relationships, between Mr Chan Kam Loon and the other Directors, the Company, its related corporations, its substantial shareholders or officers, which may affect his independence. The details of the Directors seeking for re-election as required under Catalyst Rule 720(5) are set out on pages 18 and 20 of this Annual Report.

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

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

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

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

In respect of FY 2021, the NC and Board were of the view that each Director has discharged his duties diligently. As at the date of this report, none of the Directors hold more than 3 listed company directorships. Please refer to pages 17 to 22 of the Annual Report for the listed company directorships and other principal commitments of the Directors.

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

### **Board Performance**

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

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

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

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

## CORPORATE GOVERNANCE REPORT

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

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

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

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

### REMUNERATION MATTERS

#### Procedures for Developing Remuneration Policies

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

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

**Provision 6.2 of the Code: Composition of RC**

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

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

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

- (a) reviewing and recommending to the Board a framework of remuneration for the Directors and key management personnel and determining specific remuneration packages of each Director. The RC shall cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, awards to be granted under the Company's performance share scheme, and benefits in kind;
- (b) reviewing annually the remuneration, bonuses, pay increase and/or promotions of employees who are related to the Directors or substantial shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities;
- (c) reviewing the Company's obligations arising in the event of termination of service contracts entered into between the Group and its Executive Directors or key management personnel, as the case may be, to ensure that the service contracts contain fair and reasonable termination clauses which are not overly onerous to the Group;

## CORPORATE GOVERNANCE REPORT

- (d) if necessary, seeking expert advice within and/or outside the Company on remuneration matters, ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants; and
- (e) reviewing annually the remuneration package in order to maintain their attractiveness to retain and motivate the Directors and key management personnel and to align the interests of the Directors and key management personnel with the long-term interests of the Company.

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

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

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

The terms of employment for the Managing Director, such as monthly base salary, annual wage supplement and benefits that commensurate with their position, are stipulated in the service agreement ("Service Agreement"). The Managing Director also participates in a profit-sharing scheme that is pegged to the Group's profitability. The Managing Director does not receive directors' fees and there are no post retirement and severance benefits except the common practice of giving notice or salary in lieu of notice in the event of termination. The Service Agreement is valid for 3 years.

### **Provision 6.4 of the Code: Expert advice on remuneration**

The members of the RC are familiar with executive compensation matters as they have prior experience in managing businesses and/or are holding other directorships. The RC has access to expert advice regarding executive compensation matters, if required. The Board did not engage any external remuneration consultant to advise on remuneration matters for FY 2021.

### **Level and Mix of Remuneration**

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

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

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

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

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



## CORPORATE GOVERNANCE REPORT

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

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

**Disclosure on Remuneration**

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

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

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

Remuneration of the Executive Directors<sup>(1)</sup> are stipulated in their respective Service Agreements with the Company. Under the provisions of the Service Agreements, the Executive Directors<sup>(1)</sup> shall be paid a monthly base salary and annual wage supplement and be provided with benefits commensurate with the position. The Executive Directors<sup>(1)</sup> participate in a profit-sharing scheme that is pegged to the Group's profitability. The Executive Directors<sup>(1)</sup> do not receive directors' fees and there are no post retirement and severance benefits except the common practice of giving notice or salary in lieu of notice in the event of termination.

The level and mix of remuneration paid or payable to the Executive Directors<sup>(1)</sup> for FY 2021 are set out as follows:

Name of Director	Remuneration band	% Breakdown of Remuneration		
		Base salary	Bonus/Profit Sharing	Benefits in kind
Mr Sidney Chew Choon Tee	S\$1,000,000 – S\$1,250,000	44%	51%	5%
Mr Jeffrey Tan Bock Chia <sup>(1)</sup>	S\$1,000,000 – S\$1,250,000	46%	48%	6%

(1) Mr Jeffrey Tan Bock Chia was re-designated as Non-Executive Non-Independent Director with effect from 9 June 2021 following the cessation of his executive duties and responsibilities. He continued to be remunerated under his Service Agreement from 9 June 2021 until its expiry on 31 December 2021.

Independent Directors are paid only directors' fees, subject to approval at the annual general meeting. The fees paid to Independent Directors comprise a basic fee, a fee for chairing a committee and a fee for being a member of the committee. The fees paid to the Independent Directors for FY 2021 are set out as follows:-

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

# CORPORATE GOVERNANCE REPORT

Mr Yasutaka Kawamura, the Non-Executive Director of the Company, did not receive any remuneration for FY 2021.

The remuneration of top 5 executives of the Group (who are not also directors) for FY 2021 is set out below:-

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

## Provision 8.2 of the Code: Remuneration disclosures of related employees

Save for the Executive Directors<sup>(1)</sup>, there are no employees who were substantial shareholders of the Company in FY 2021.

The remuneration of an employee who is the spouse of Managing Director, Mr Sidney Chew Choon Tee, for FY 2021 is set out as below:-

Name of employee	Remuneration band	% Breakdown of Remuneration		
		Base salary	Bonus	Benefits in kind
Ms Liau Bin Bin	S\$250,000 – S\$500,000	62%	35%	3%

(1) Save for Ms Liau Bin Bin, there is no other employee who is the immediate family members of a Director, the Managing Director or a substantial shareholder of the Company whose remuneration exceeded S\$100,000 in FY 2021.

## ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls

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

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

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

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

The internal auditors, Baker Tilly Consultancy (Singapore) Pte Ltd has conducted annual reviews of the effectiveness of the Group's key internal controls, including financial, operational, compliance and information technology controls, and risk management. Any material non-compliance or lapses in internal controls, together with recommendations for improvement, are reported to the AC and the Board. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored. No material internal control weaknesses had been raised by the internal auditors in the course of their audits for FY 2021.

## CORPORATE GOVERNANCE REPORT

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

The Board has received assurance from (a) the Managing Director and the Chief Financial Officer that the financial records have been properly maintained and the financial statements for the financial year ended 31 December 2021 give a true and fair view of the Company's operations and finances; and (b) the Managing Director and key management personnel regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

Based on the assurance from the Managing Director, the Chief Financial Officer and key management personnel referred to in the preceding paragraph, the various internal controls put in place by the Group, the work performed and reports submitted by the external and internal auditors of the Group and the reviews carried out by the Board and the AC, the Board, with the concurrence of the AC, is satisfied with the adequacy and effectiveness of the Group's the risk management and internal control systems (including financial, operational, compliance and information technology controls and risk management systems) as at 31 December 2021.

### Audit Committee

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

##### Provision 10.1 of the Code: Duties of AC

##### Provision 10.2 of the Code: Composition of AC

##### Provision 10.3 of the Code: AC does not comprise former partners or directors of the Company's auditing firm

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

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

- (a) reviewing the audit plans and scope of work of the external auditors and the internal auditors, including the results of the external and internal auditors' review and evaluation of the Group's system of internal controls, the management letters on the internal controls and the Management's response, and monitoring the implementation of the internal control recommendations made by the external and internal auditors;
- (b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems, prior to the incorporation of such results in the Company's annual report;
- (c) reviewing the interim financial results and annual consolidated financial statements and the external auditors' report on the annual consolidated financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies and practices, significant financial reporting issues and judgements, compliance with Singapore financial reporting standards as well as compliance with the Catalist Rules and other statutory or regulatory requirements, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of Management to ensure the integrity of the financial statements of the Group and any announcements relating to the Company's financial performance, where necessary, before submission to the Board for approval;
- (d) reviewing and discussing with the external and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;
- (e) reviewing and ensuring the co-ordination between internal auditors, external auditors and the Management, including the assistance given by the Management to the auditors;

## CORPORATE GOVERNANCE REPORT

- (f) reviewing the audit plan of the external auditor and the result of the external auditor's review and evaluation of the Group's system of internal accounting controls that are relevant to the statutory audit;
- (g) making recommendations to the Board on the proposals to the shareholders with regard to the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- (h) reviewing the audit plan of the internal auditor, including the results of the internal auditor's review and evaluation of the Group's system of internal controls;
- (i) reviewing and ratifying where appropriate any interested person transactions;
- (j) reviewing potential conflicts of interests (if any);
- (k) reviewing the policy and arrangements by which employees of the Group and any other persons may, in confidence, report to the Chairman of the AC, concerns about possible improprieties in financial reporting or other matters and ensuring that there are arrangements in place for such concerns to be safely raised and independently investigated, and for appropriate follow-up action to be taken;
- (l) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;
- (m) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls, and risk management systems;
- (n) reviewing the scope and results of the external audit and its cost effectiveness and the independence and objectivity of the external auditor, and where the external auditor also provides a substantial volume of non-audit services to the Company, keeping the nature and extent of such services under review, seeking to maintain objectivity;
- (o) reviewing the assurance from the Managing Director and the Chief Financial Officer on the financial records and financial statements; and
- (p) undertaking such other reviews and projects as may be requested by the Board and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC.

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

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

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

The external auditors update the AC on any changes in accounting standards impacting the financial statements of the Group before an audit commences. Significant matters that were discussed with the Management and the external auditors have been included as key audit matters in the Auditors' Report for FY 2021 on pages 95 to 97 of this Annual Report.

## CORPORATE GOVERNANCE REPORT

Significant matters	How does the Audit Committee address the matter
Impairment of trade receivables	<p>The Audit Committee had reviewed management's approach and judgement in assessing collectibility of outstanding receivables, which includes a review of customers' credit worthiness, historical observed default rate, payment history and correspondences with customers.</p> <p>The Audit Committee was satisfied that the approach was appropriate and provision was adequate. The external auditor has included this item as a key audit matter in the audit report for FY 2021. Please refer to pages 95 to 96 of this Annual Report.</p>
Impairment of Inventories	<p>The Audit Committee had considered the methodology and management's technical judgement in assessing inventory obsolescence, which includes a review of the ageing of inventory.</p> <p>The Audit Committee was satisfied that management's methodology was reasonable and carrying value of inventory was appropriate. The external auditor has included this item as a key audit matter in the audit report for FY 2021. Please refer to page 96 of this Annual Report.</p>
Impairment of subsidiaries	<p>The Audit Committee had considered the methodology, estimates and assumptions used in assessing the impairment of subsidiaries, which includes a review of long-term business prospects, cash flow forecasts and discount rates used.</p> <p>The Audit Committee was satisfied that management's methodology was reasonable and the impairment was adequate. The external auditor has included this item as a key audit matter in the audit report for FY 2021. Please refer to page 97 of this Annual Report.</p>

The AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees paid to them. The AC received an audit report from the external auditors setting out the non-audit services provided and the fees charged for FY 2021. A breakdown of the audit and non-audit fees paid to the Company's auditors is disclosed on page 162 of this Annual Report.

Having undertaken a review of the non-audit services provided during FY 2021, the AC is of the view that the objectivity and independence of the external auditors are not in any way impaired by reason of their provision non-audit services to the Group.

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

Different auditing firms are engaged as auditors for its associated company and 2 foreign subsidiaries for FY 2021. The AC has considered the appointment of different auditing firms for its associated company and 2 foreign subsidiaries and is satisfied that such appointment would not compromise the standard and effectiveness of the audit of these entities. The Company is thus in compliance with Rules 712 and 715 set out in Catalist Rules.

# CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

## **SHAREHOLDER RIGHTS AND ENGAGEMENT**

### **Shareholder Rights and Conduct of General Meetings**

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

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

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

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

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

## **Provision 11.3 of the Code: All Directors attend general meetings**

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

## CORPORATE GOVERNANCE REPORT

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

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

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

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

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

### **Provision 11.6 of the Code: Dividend policy**

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, financial position, results of operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate. The Company paid an interim dividend in FY 2021 and are seeking approval from shareholders for the payment of a final dividend for FY 2021 at the annual general meeting.

## **Engagement with Shareholders**

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

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

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

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

Shareholders are given the opportunity to pose questions to the Board or the Management at the general meetings. The members of the AC, NC and RC will be present at the general meetings to answer questions relating to matters overseen by the respective committees. When general meetings are held via electronic means and real-time communication is not utilised, shareholders are provided sufficient time to submit questions after the publication of notice of general meeting. The Company will address these questions timely to accord shareholders with reasonable time to consider matters tabled at the general meetings prior to the closing date and time for the lodgment of the proxy forms.

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

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

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

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

# CORPORATE GOVERNANCE REPORT

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

Please refer to Investor Relations section of this Annual Report.

## MANAGING STAKEHOLDERS RELATIONSHIPS

### Engagement with Stakeholders

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

**Provision 13.1 and 13.2 of the Code: Engagement with material stakeholder groups**

**Provision 13.3 of the Code: Corporate website to engage stakeholders**

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

Stakeholders who wish to know more about the Group such as our business, industry, performance or sustainability practices can visit our website at [www.megachem.com](http://www.megachem.com).

## DEALING IN SECURITIES

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



## CORPORATE GOVERNANCE REPORT

## INTERESTED PERSON TRANSACTIONS

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

The aggregate value of interested person transactions entered during FY 2021 were as follows:-

Name of interested person	Aggregate value of all interested person transactions during the financial year ended 31 December 2021 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 2021 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Sales of products to Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations.	Nil (Note 1)	Nil (Note 1)
Purchase of products from Chori Co., Ltd, a controlling shareholder of the Company, and its related corporations.	Nil	S\$261,972 (Note 2)

Note 1: The Group did not sell to Chori Co., Ltd and its related corporations during the financial year ended 31 December 2021.

Note 2: The Group purchased products from Chori Co., Ltd and its related corporations amounting to S\$261,972 during the financial year ended 31 December 2021.

## MATERIAL CONTRACTS

Save for the Service Agreements between the Executive Directors<sup>(1)</sup> and the Company and transactions as disclosed in the “Interested Person Transactions” section above, there were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the Managing Director, any director, or controlling shareholder.

- (1) Mr Jeffrey Tan Bock Chia was re-designated as Non-Executive Non-Independent Director with effect from 9 June 2021 following the cessation of his executive duties and responsibilities. He continued to be remunerated under his Service Agreement from 9 June 2021 until its expiry on 31 December 2021.

## NON-SPONSOR FEES

S\$5,500 non-sponsor services fees was paid to its sponsor, SAC Capital Private Limited, in FY 2021 as fees for research coverage.

## INVESTOR RELATIONS



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

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

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

- Adopts a focused internal IR structure which is supported by appointing external IR advisors, Citigate Dewe Rogerson;
- Deploys a dedicated IR website ([www.shareinvestor.com](http://www.shareinvestor.com)) which is regularly updated;

- Conducts half-yearly results briefings and online Q&A session;
  - Senior management including our Managing 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](http://www.megachem.com) and the IR website.
- Provides results announcements that are timely with emphasis on responsible financial reporting, business updates and prospects;
- Gives advance notice of the date of announcement of our results;
- Provides business updates where necessary to allow shareholders and investors to understand any significant changes in market trend and its impact on our business;

- Provides detailed accounts of the financial results and operating strategy in our annual report
- Provides investor relations strategy that indicates internal and external IR contacts as well as IR websites;

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

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

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

## INVESTOR RELATIONS

### Accolades

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

- 2021** Ranked 185<sup>th</sup> in the 2021 Singapore Governance and Transparency Index (SGTI)
- 2020** Ranked 85<sup>th</sup> in the 2020 Singapore Governance and Transparency Index (SGTI)
- 2019** Ranked 93<sup>rd</sup> in the 2019 Singapore Governance and Transparency Index (SGTI)
- 2018** Singapore Corporate Awards: Best Managed Board (Bronze) in the “less than \$300 million market capitalisation” category
- 2018** Ranked 78<sup>th</sup> in the 2018 Singapore Governance and Transparency Index (SGTI)
- 2017** Singapore Corporate Awards: Best Annual Report Award (Gold) in the “less than \$300 million market capitalisation” category
- 2017** Ranked 56<sup>th</sup> in the BT Governance and Transparency Index
- 2016** Singapore Corporate Awards: Best Annual Report Award (Silver) and Best Investor Relations Award (Gold) in the “less than \$300 million market capitalisation” category
- 2016** SIAS Investors’ Choice Awards: Most Transparent Company (Runner up) (Catalist category)
- 2016** Ranked 37<sup>th</sup> in the BT Governance and Transparency Index
- 2015** Singapore Corporate Awards: Best Managed Board (Gold), Best Chief Financial Officer, Best Annual Report Award (Silver) and Best Investor Relations Award (Bronze) in the “less than \$300 million market capitalisation” category
- 2015** SIAS Investors’ Choice Awards: Most Transparent Company (Runner up) (Catalist category)
- 2015** Ranked 60<sup>th</sup> in the BT Governance and Transparency Index
- 2015** IR Magazine Awards: Best Investor Relations by an SGX Catalist company
- 2014** Singapore Corporate Awards: Best Investor Relations Award (Bronze) and Best Annual Report Award (Bronze) in the “less than \$300 million market capitalisation” category
- 2014** Ranked 64<sup>th</sup> in the BT Governance and Transparency Index
- 2013** SIAS Investors’ Choice Awards: Most Transparent Company (Catalist category)
- 2013** Singapore Corporate Awards: Best Annual Report (Silver) (category for companies with less than \$300 million market capitalisation)
- 2013** IR Magazine Awards: Best Investor Relations by an SGX Catalist company
- 2013** Ranked 49<sup>th</sup> in the BT Governance and Transparency Index
- 2012** Singapore Corporate Awards: Best Annual Report (Bronze) (category for companies with less than \$300 million market capitalisation)
- 2012** Ranked 115<sup>th</sup> in the BT Governance and Transparency Index
- 2011** Singapore Corporate Awards: Best Annual Report (Bronze) (category for companies with less than \$300 million market capitalisation)
- 2011** Ranked 62<sup>nd</sup> in the BT Governance and Transparency Index
- 2010** Ranked 235<sup>th</sup> in the BT Governance and Transparency Index
- 2009** Ranked 196<sup>th</sup> in the BT Governance and Transparency Index

- 2007** Singapore Corporate Awards: Best Annual Report (Bronze) (Sesdaq category)
- 2006** Singapore Corporate Awards: Best Annual Report (Silver) (Sesdaq category)



### IR Contact

#### Company

Francis Yau Thiam Hwa  
Chief Financial Officer  
Megachem Limited  
Tel: 6933 9999  
Email: [fsyau@sg.megachem.com](mailto:fsyau@sg.megachem.com)

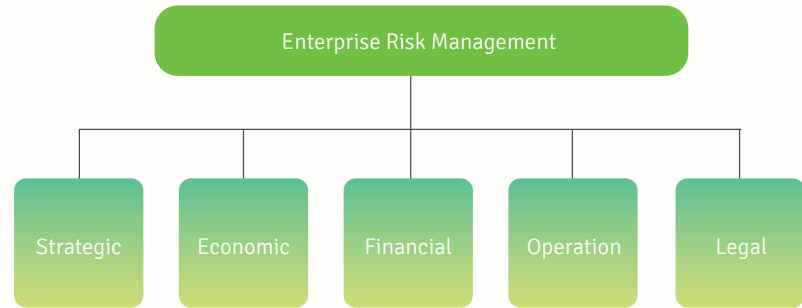
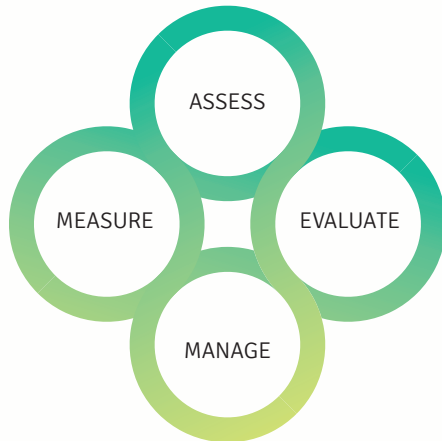
#### External Consultant

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For more information, please visit  
[www.megachem.com](http://www.megachem.com)

# RISK MANAGEMENT

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



Megachem has identified 5 main risk components within its risk management framework.

## A. STRATEGIC RISK

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

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

## B. ECONOMIC RISK

### • Global economy

Following the acceleration of vaccination against COVID-19 and easing of COVID-19 restrictions, global economy began its economic recovery. However the resurgence of COVID-19 variants remains a threat to economic recovery and the chemical industry.

### • Tapering of government stimulus and tightening of monetary policies

As global economy starts to recover, central banks are beginning to taper their government stimulus and may tighten monetary policies in 2022 which

may dampen global economic growth. Inevitably, the impact will be felt in the chemical industry which may in turn have an adverse effect on our performance.

### • Financial market risk

Financial market activity and economic growth are closely linked. Many have warned of stretched market valuations. Should financial market risk escalate into a major correction, it may have an impact on economic growth and hence on our business prospect.

### • Product Shortages & Supply Chain Risk

The pandemic and uneven economic recovery has led to a critical shortage of products and shipping capacity in 2021, posing significant challenges to supply of our products and inventory management. If this situation does not ease in 2022, it may put a cap on growth for chemical industry until the supply-demand imbalances and shipping capacity are normalised.

### • Volatility in energy prices

Oil prices has staged a remarkable rebound since the later part of 2020. Any further escalation in oil prices may push freight rates and chemical prices higher which may in turn dampen demand for chemicals. Specialty chemicals, though not immune to oil price fluctuations, are less susceptible in comparison to bulk commodity chemicals due to the fact that they are more downstream product whose usage in the finished product is smaller.

## C. 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. Although market interest rates have been falling and are now at historical low, indications from central banks point towards hike in interest rates in 2022 which will increase our borrowing cost.

### • Inventory Risk

Our business involves keeping inventory of chemicals to meet customers' requirements and to ensure continuity of supply to customers. In the event of an unexpected fall in customers' demand

## RISK MANAGEMENT

levels for any product, we may end up with excess inventory. We mitigate inventory risk by strategising our purchasing policies and engaging with customers more frequently.

### • 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, we have 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

The emergence of COVID-19 has also led to banks taking a more prudent stance in its lending activities. This can put further strain on companies which are heavily reliant on bank borrowings. Notwithstanding the fact that we partly rely on bank borrowings to fund our operations, our low gearing and sound liquidity put us in a healthy financial position. Thus far, our banks have remained supportive even during this health and economic crisis. 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.

## D. OPERATIONAL RISK

### • IT Security

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

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

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

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

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

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

### • Process Execution

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

### • Business Continuity

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

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

- conducting context analysis and understanding needs and expectation of interested parties such as our customers, regulators, government agencies etc;

- conducting risk assessment and business impact analysis periodically;
- evaluating recovery strategies to be implemented; and
- documenting and communicating detailed plans and measures to recover, restore and return business processes to pre-incident level to all interested parties.

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

## E. LEGAL RISK

### • Business Ethics

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

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

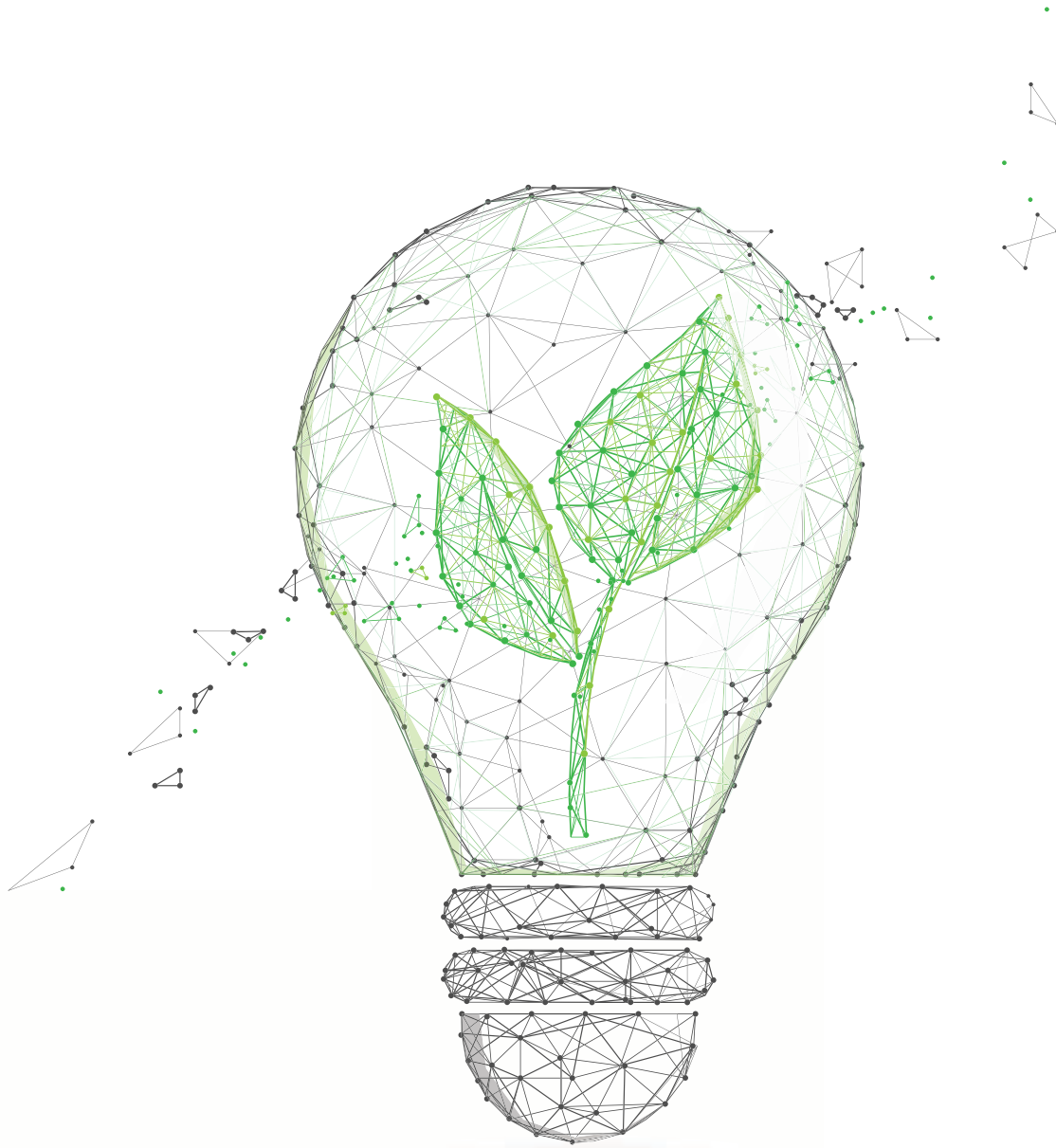
### • Industry Specific Regulations

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

### • Stock Exchange Listing Rules

Guided by our 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.

# SUSTAINABILITY REPORT



## SUSTAINABILITY REPORT

**BOARD STATEMENT**

Our world is confronted with unprecedented challenges such as climate change, scarcity of natural resources, poverty, human health and safety issues. One that stood out in 2020 and continued into 2022 was the COVID-19 pandemic which swept across the globe. It disrupted supply chains, shuttered many businesses and rendered many jobless. Number of people that were infected exceeded 400 million and more than 5 million died as a result. This unfortunate event has raised global awareness of public health and safety issue and the urgency of addressing it as part of a global effort to make this world a safer place to live in. Fuelled by these challenges, Sustainability has become an even more pressing issue.

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

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

Since we embarked on this Sustainability journey, we have made incremental steps to improve our Sustainability program. The key areas in 2021 are as follows:

**Business Continuity**

- The resources and efforts committed to improving our business continuity management, even before the pandemic hit us, enabled us to continue our business without much disruption to our daily operation. Working closely with our valued suppliers, we ensured there is continuity of supply for our customers.

**Environment/Health/Safety**

- Due to the stringent safe and health measures we took during the pandemic and the adoption of hybrid working arrangement, we were able to protect the safety and health of our people and our business partners as well as maintain our operations under difficult circumstances.
- In recognition of our efforts in meeting international environment, health and safety standards, the Singapore Chemical Industry Council accorded us, under the Responsible Care program, achievement awards in the category of Community Awareness & Emergency Response, Employee Health & Safety and Distribution in 2021.

- In a Sustainability assessment in 2021 conducted by independent rating firm, EcoVadis, Megachem attained Platinum status and was ranked in the Top 1% among the companies in our industry assessed by them which is an improvement from the Gold status attained in 2020.
- We have adopted the Global Product Strategy (GPS) from International Council of Chemical Associations on the evaluation of Chemical Risk Assessment since 2018 and established a Product Safety Summary as well as Product Safe Handling Guide on high-risk products.

**Social**

- We continue to provide equal opportunities to our employees by embracing diversity in terms of gender, age and nationality.
- While many have lost their jobs during the pandemic, we have safeguarded jobs for our people. This is possible because of the robustness of our business continuity management and the resilience of our business model.

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

- expanding our product portfolio with more sustainable products that has lesser environmental impact,
- working across our value chain to incorporate sustainability into our business strategy,
- creating greater awareness of sustainability issues and good sustainability practices in our daily operation,
- striving and working together with major stakeholders in the chemical industry in adopting higher standards of Sustainability practices.
- Last but not least we will maintain a business continuity management program that is robust enough to face challenges posed by the present and future pandemic.

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

Managing Director  
**Sidney Chew Choon Tee**

On behalf of Megachem's  
Board of Directors

# SUSTAINABILITY REPORT

## ORGANISATIONAL PROFILE

### Megachem Sustainability Vision



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

Guided by our Sustainability Vision, our objectives are to:

- achieve high standards of health and safety throughout our value chain,
- protect our environment,
- be a preferred employer by maintaining a good work culture and adopting a genuine interest in the long-term career development of our employees,
- to recruit, groom and retain people who have good character, are committed to the organization and are highly skilled in their areas of expertise,
- adopt best business practices and comply with all applicable rules and regulations,
- manage our risk to safeguard our economic sustainability, and
- be a responsible member of society.

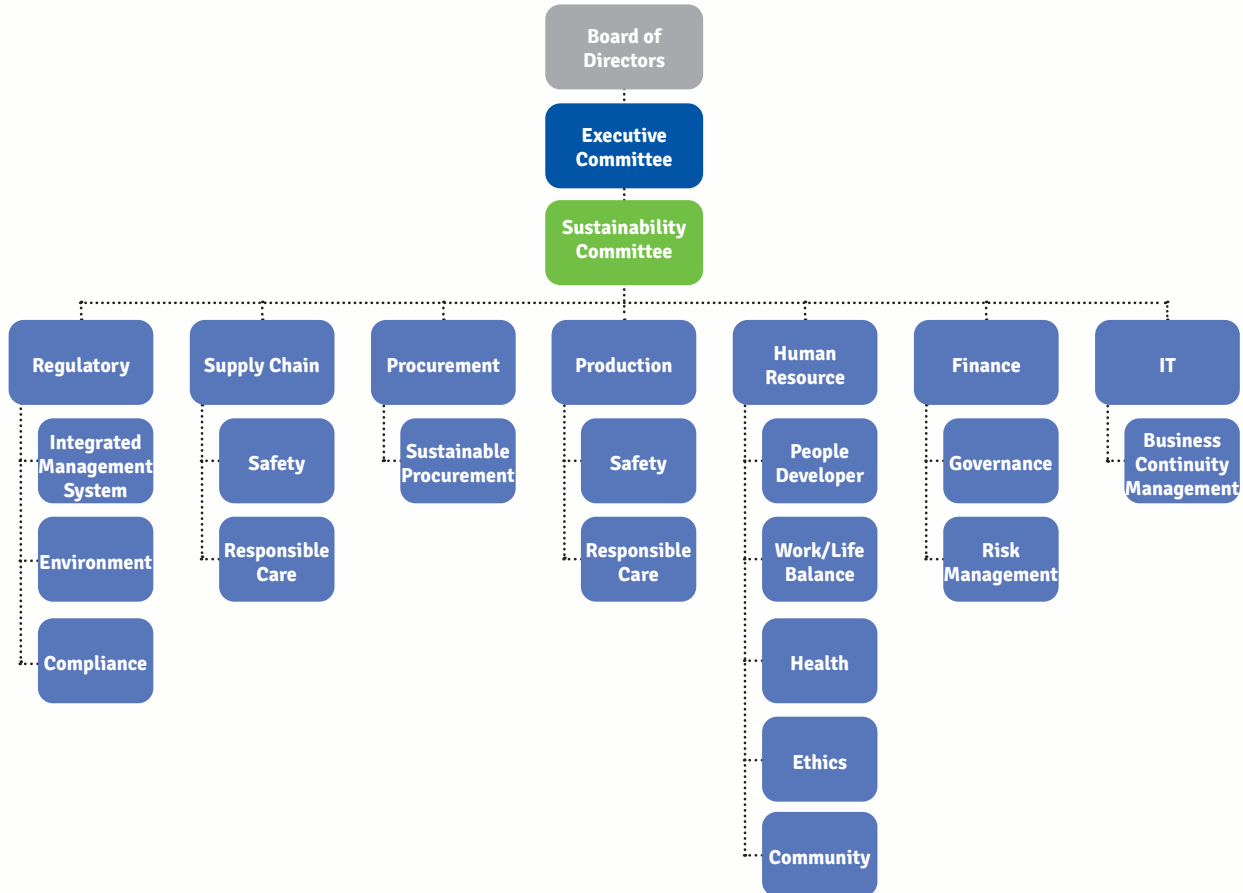


## SUSTAINABILITY REPORT

### Sustainability Leaders

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

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



### External Charters, Principles or Other Initiatives

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

- Responsible Care® – a global environmental, health and safety (EHS) performance initiative for the chemical industry,
- Integrated Management System (ISO9001, ISO45001, ISO14001 and ISO22301), a system that integrates all of an organization's policies, processes and procedures into one complete framework, enabling an organization to work as a single unit with unified objectives,
- EcoVadis Sustainability Assessment System – an assessment system used widely in the chemical industry and assesses companies in the areas such as environment protection, labour practices, fair business practices and sustainable procurement,
- People Developer – a certification that recognizes organizations that invest in their people and have a comprehensive system to manage the development of their people.

### Member of Industry Associations

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

# SUSTAINABILITY REPORT

## ECOVADIS: SUSTAINABILITY RATING



Megachem has always regarded sustainability as one of our priorities in creating sustainable long-term value for our stakeholders. Since 2018, Megachem has partnered with EcoVadis to rate our sustainability performance. EcoVadis provides solution for monitoring sustainability in global supply chains and help companies adopt sustainable practices.

Megachem is proud to be a **Platinum award recipient of the EcoVadis Sustainability Ratings 2021**, an improvement from the Gold award in 2020. In the Sustainability Assessment Report 2021, EcoVadis placed Megachem among the Top 1% of the companies in our industry that were assessed by them, rating us highly in the area of environmental policies and practices. This accolade is a testimony of the importance we place Sustainability in our overall strategy and a recognition of our Sustainability achievements.

## MATERIALITY ASSESSMENT

### Process for defining report boundaries and content



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

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

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

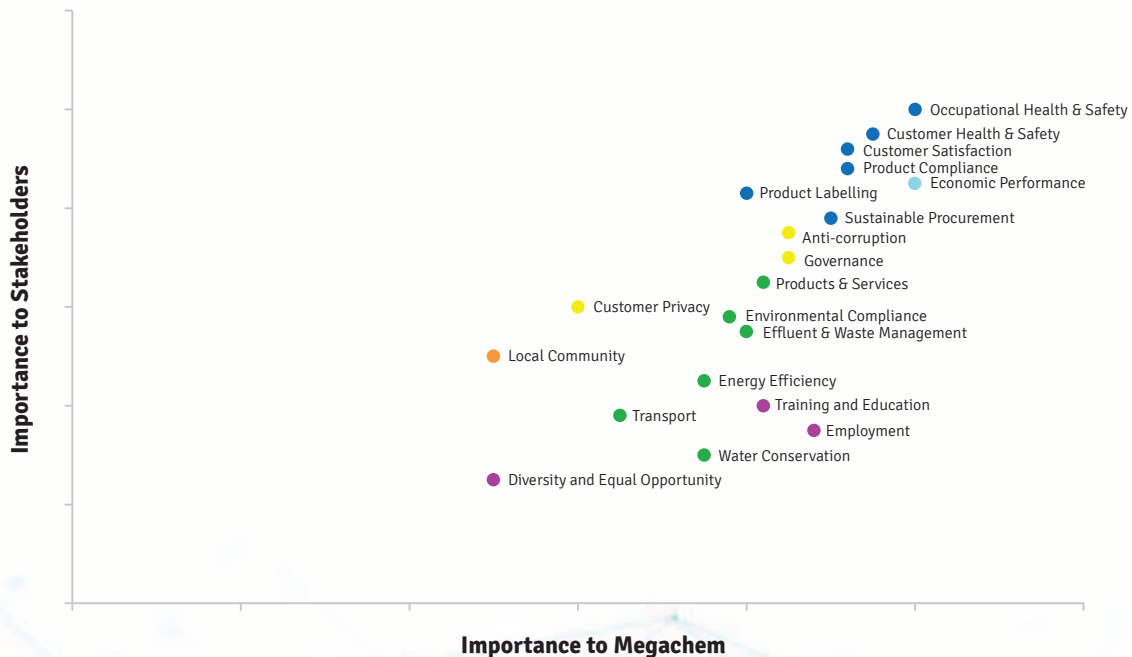
These are then validated and approved by the Executive Committee headed by our Managing Director.

**SUSTAINABILITY REPORT**

**Our Material Aspects**

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

**Materiality Matrix**



# SUSTAINABILITY REPORT

## Scope & Boundaries

Within the Organisation:

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

Outside the Organisation:

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

## STAKEHOLDERS ENGAGEMENT

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

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

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

STAKEHOLDERS	STAKEHOLDERS ENGAGEMENT	STAKEHOLDERS FEEDBACK
<b>Employees</b>	<p>Megachem views employee engagement as one of the crucial vehicle to drive business excellence and we aim to provide a safe, engaging, inclusive and stimulating work environment that encourages quality performance, high employee satisfaction and loyalty.</p> <p>We do this through:</p> <ul style="list-style-type: none"> <li>• Orientation programmes for new employee online,</li> <li>• Employee engagement &amp; opinion survey,</li> <li>• Ongoing internal employee portal,</li> <li>• Ongoing new &amp; existing employee development guide,</li> <li>• Annual total training plan via training needs analysis to chart out the organizational-wide training needs,</li> <li>• Ongoing Kaizen to focus on continuous improvement and innovation through employee participation,</li> <li>• Ongoing whistleblowing channel,</li> <li>• Ongoing protecting employees' wellbeing by adopting comprehensive risk-based approach in safeguarding the safety and health of all employees across all entities, while adhering to all precautionary guidelines by the Ministry of Health and related authorities,</li> <li>• Regular staff meetings and dialogue session online.</li> </ul>	<p>We achieved an overall employees' satisfaction score of 95.6% in 2021 (89% in 2018) based on our Employee Engagement &amp; Opinion survey with an employee participation rate of 95%.</p> <p>People Developer's report in previous renewal shows positive results especially in learning, development and innovative culture.</p> <p>People Developer certification has been discontinued in September 2020 by Enterprise Singapore. Notwithstanding, the mindset and practice of business excellence are still relevant and the key elements are being adopted or leveraged by our company.</p>

## SUSTAINABILITY REPORT

STAKEHOLDERS	STAKEHOLDERS ENGAGEMENT	STAKEHOLDERS FEEDBACK
<b>Customers</b>	<p>At the heart of our strategy is our customer-centric approach to conducting our business. Essential to this customer-centric approach is customer engagement.</p> <p>We engage with our customers through:</p> <ul style="list-style-type: none"> <li>• collaboration, information sharing and regular communication,</li> <li>• customers' satisfaction survey where customers' feedback on Megachem's performance, products and services are garnered.</li> </ul>	<p>In the Customer Satisfaction Survey done in 2021, we scored well in the categories of sales support and customer enquiry, compliance to business code of conduct, order processing accuracy and on-time delivery.</p>
<b>Suppliers</b>	<p>We build close relationship with our valued suppliers to ensure deeper market penetration and supply continuity.</p> <p>We create a channel for feedback to our suppliers on the quality of products supplied to us.</p> <p>We also assess and audit our top suppliers to ensure we provide quality products to our customers through our vendor evaluation program.</p> <p>We evaluate the sustainability performance and commitment of our suppliers through sustainability assessment questionnaire and their attainment in global standards for promoting sustainability such as Together for Sustainability (TfS) and EcoVadis. Our suppliers also assess us to ensure we meet their sustainability standards.</p>	<p>Suppliers increasingly value the importance of sustainability in our working relationship with them.</p> <p>Megachem will consistently carry out our sustainability programs to meet requirements of suppliers.</p> <p>In a Sustainability assessment in 2021 conducted by EcoVadis, Megachem attained Platinum status and was ranked in the Top 1% among companies in our industry assessed by them.</p>
<b>Investors/ Shareholders</b>	<p>We place great emphasis on effective communication with our shareholders by providing the following channels of communication:</p> <ul style="list-style-type: none"> <li>• a dedicated IR website <a href="http://www.shareinvestor.com">www.shareinvestor.com</a> which is regularly updated and provides investors with email alerts of latest announcements</li> <li>• results briefings where analysts, investors and media are invited</li> <li>• online Q&amp;A are conducted with shareholders and investors</li> <li>• results announcements, results presentation, press releases, online Q&amp;A are made available at our website and at SGXNet</li> <li>• webcast of the results briefings are uploaded to our website</li> <li>• AGM where greater shareholders' participation are encouraged.</li> </ul>	<p>We have been well-recognised in areas such as shareholders communication, transparency and governance.</p>

# SUSTAINABILITY REPORT

STAKEHOLDERS	STAKEHOLDERS ENGAGEMENT	STAKEHOLDERS FEEDBACK
<b>Regulators</b>	<p>We participate in seminars conducted by our stock market regulators to keep ourselves abreast of changes in rules and regulations.</p> <p>We conduct various exercises and events to educate our stakeholders the importance of safety.</p> <p>We seek to comply with regulatory bodies such as Singapore Civil Defence Force (SCDF), National Environment Agency (NEA), Singapore Police Force (SPF), Singapore Customs, Central Narcotics Bureau (CNB), Health Sciences Authority (HSA), Agri-Food &amp; Veterinary Authority (AVA).</p>	<p>Company Emergency Response Team audit reveals good response to different emergency scenarios.</p>
<b>Community</b>	<p>We engage with our community by working with various social organisations as well as with various stakeholders such as supplier, customer and industry peers in increasing safety awareness.</p>	<p>We received positive response in our initiative.</p>

## REPORT PROFILE

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

### Reporting Period

1 January 2021 - 31 December 2021

### Date of first Sustainability report

2015.

### Reporting Cycle

Annual based on Megachem's financial year.

### Feedback

We welcome feedback from all stakeholders. Please send questions, comments, suggestions or feedback relating to this report to [sustainability@sg.megachem.com](mailto:sustainability@sg.megachem.com).

### Methodology

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

We have not sought external assurance for this report.

## SUSTAINABILITY REPORT

## GOVERNANCE

## CORPORATE GOVERNANCE

## Objective

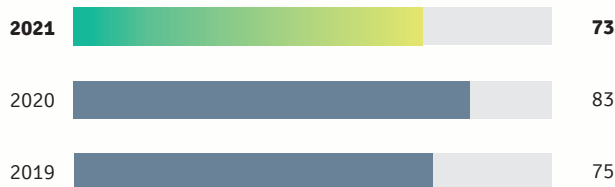
To ensure that our business is sustainable, Megachem believes strongly in upholding the highest standards of corporate governance. We strive to ensure that the value of good governance is deeply embedded in our corporate culture and entrenched in our policies and processes.

## Approach

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

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

## SGTI SCORE



## ETHICS &amp; INTEGRITY

## Objective

To uphold high standards of business ethics and integrity.

## Approach

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

## PERFORMANCE HIGHLIGHTS

	NUMBER OF BREACHES
2019	0
2020	0
2021	0

## PERFORMANCE HIGHLIGHTS

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

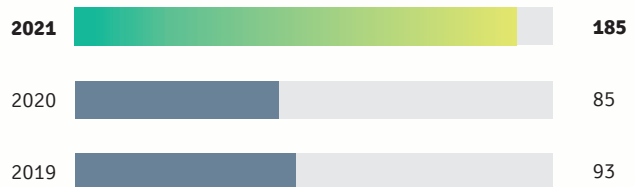
In the Singapore Governance and Transparency Index (SGTI) 2021 which ranks listed companies on its governance and transparency practises, Megachem was ranked 185th among all listed companies in Singapore, dropping from 85th in 2020, and attained a score of 73 compared to 83 the year before.

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

## Targets &amp; Plans

To improve or maintain the current SGTI score and ranking.

## SGTI RANK



## RISK MANAGEMENT

## Objective

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

## Approach

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

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

## Performance Highlights

In FY2021, a review of our enterprise risk management was conducted where significant risks, their impact and the mitigating factors were discussed and updated.

## Targets &amp; Plans

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

# SUSTAINABILITY REPORT

## ECONOMIC

### Objective

To Create Long-term Sustainable Value for our shareholders.

### Approach

Megachem adopts a 2-pronged approach:

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

## PERFORMANCE HIGHLIGHTS

	2017	2018	2019	2020	2021
Net Profit after tax (S\$'mil)	4.2	4.3	4.0	5.3	8.0
Shareholders Equity (S\$'mil)	44.6	47.2	49.6	52.4	57.3
Earnings per share (cents)	3.18	3.06	2.88	3.85	5.82
Net Dividend/share (cents)	1.2	1.5	1.5	1.5	2.0
Dividend Yield %	2.8%	4.1%	4.8%	4.8%	5.3%
Share Price Appreciation (%)	-6.8%	-22.0%	-6.30%	10.0%	27.3%
Total Shareholders Return (%)	-4.0%	-17.9%	-1.5%	14.8%	32.6%



## SUSTAINABILITY REPORT

### ENVIRONMENT

#### Objective

We are committed to environmental protection and conservation of resources.

#### Approach

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



#### Energy

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



#### Water, Effluent & Waste

Megachem implemented LEAN methodology, a systematic approach to reduce or eliminate activities that don't add value to the process. Arising from this exercise, we managed to reduce the quantity of waste water generation. By standardizing washing procedure for different types of products based on its chemical properties, developing training programs for operator on washing process and implementing water recycling program, we are able to reduce waste water.

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

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



#### Products and Recycling of packaging materials

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



#### Environmental Impact of transporting goods

Most of our delivery trucks are in compliance with the EURO V standard which helps to reduce the emission of CO<sub>2</sub> and other gases.

In addition, we work with customers to optimize the delivery schedule, taking advantage of consolidation opportunities whenever possible in order to achieve fuel and CO<sub>2</sub> emissions reduction.



#### Deforestation

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



#### Compliance

In 2021, Megachem did not incur any significant fines for non-compliance with environmental laws and regulations (2020: nil).



#### Earth Day

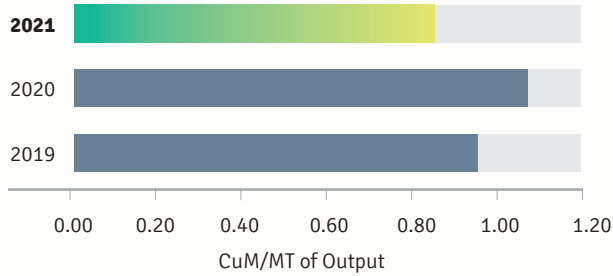
Every year, Earth Day aims to encourage people around the world to be more environmental-friendly.

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

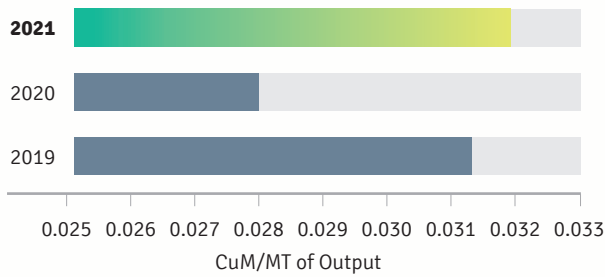
# SUSTAINABILITY REPORT

## PERFORMANCE HIGHLIGHTS

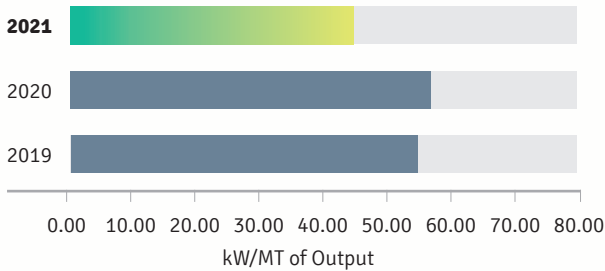
### Water Consumption (Singapore)



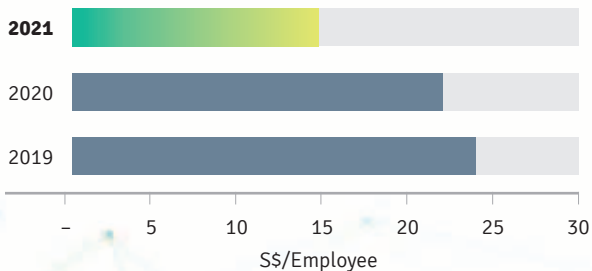
### Waste Water Generation (Singapore)



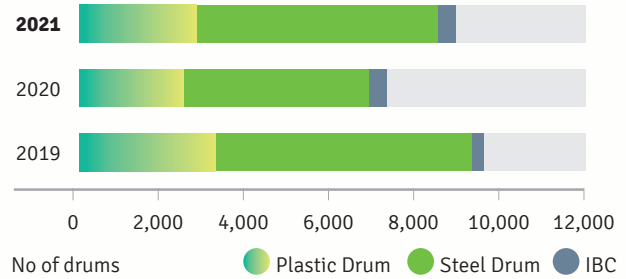
### Electricity Consumption (Singapore)



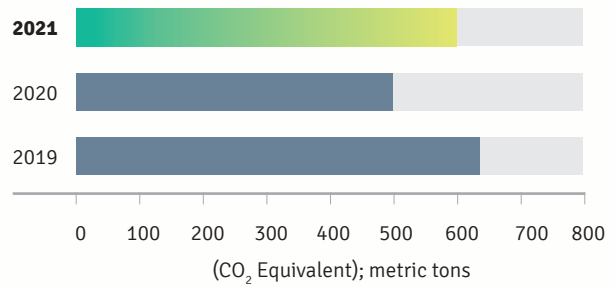
### Paper Usage (Singapore)



### Recovered Packaging (Singapore)



### Greenhouse Gas Emission (Singapore)



## TARGETS & PLANS TO REDUCE:

CHEMICAL WASTE GENERATED NOT TO EXCEED 0.5 KG PER 1000 KG SALES VOLUME

**5%** REDUCTION

ENERGY CONSUMPTION (NON-PRODUCTION ACTIVITIES)

**4%** REDUCTION WASTE WATER GENERATED FROM PRODUCTION (AVERAGE PER BLENDING)

**0** NON COMPLIANCE

TO COMPLY WITH ALL OPERATING REQUIREMENTS AND CONDITIONS REQUIRED BY LEGISLATION RELEVANT TO ENVIRONMENTAL MANAGEMENT

**SUSTAINABILITY REPORT**

**SOCIAL - PRODUCT RESPONSIBILITIES**

**HEALTH & SAFETY**

**Objective**

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



**Approach**

The framework for our Health, Safety and Environment (HSE) management is modelled after international standards. We have attained international certification such as the ISO 14001:2015 and ISO 45001:2018 certification and are a member of the Responsible Care Program.

In recognition of our commitment to meeting HSE standards, we have also received several Responsible Care Awards from the Singapore Chemical Industry Councils. Internal and external audits are being conducted to ensure that our HSE programs consistently meet international standards.

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



# SUSTAINABILITY REPORT

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

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

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

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

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

## PERFORMANCE HIGHLIGHTS

For 2021, there was 1 minor accident resulting in 4 man days lost. Corrective action has been taken to reduce the possibility of recurrence of similar incident.



## Targets & Plans

To achieve zero reportable accident.

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

## SUSTAINABILITY : COVID-19 PANDEMIC

The COVID-19 pandemic shocked the world and put the resilience of our system, processes and people to the test. Our investments in robust software and security system and the early adoption of digitalisation and technology enabled us to continue our business without much disruptions. Hence we stood up to the test well and emerged from this crisis relatively unscathed.

SYSTEM	PROCESSES	PEOPLE
<ul style="list-style-type: none"> <li>Activating and aligning our business continuity plan to the pandemic</li> <li>assessing cybersecurity risk</li> </ul>	<ul style="list-style-type: none"> <li>early adoption of digital technology</li> <li>diversifying supply sources</li> <li>realigning purchasing and inventory management to customers’ needs</li> </ul>	<ul style="list-style-type: none"> <li>adhering to COVID-19 safe management measures</li> <li>mobilising people in key functions to reduce disruption to operation</li> </ul>

## PRODUCT LABELLING

### Objective

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

### Approach

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

## SUSTAINABILITY REPORT

### Performance Highlights

The GHS system of chemical classification is being adopted.

In 2021, there has been no cases of non-compliance with regulations concerning product labelling (2020: nil).

#### Target

Zero cases of non-compliance

### CUSTOMER SATISFACTION

#### Objective

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

#### Approach

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

### Performance Highlights



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

### Targets & Plans

To achieve customer satisfaction level of at least 85%.

### CUSTOMER PRIVACY

#### Objective

To protect customers and suppliers intellectual property (“IP”) rights and privacy.

#### Approach

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

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

### Performance Highlights

We have not received any substantiated complaints relating to breach of customer privacy or loss of customers data (2020: nil).

### SUSTAINABLE PRODUCTS

#### Objective

To include sustainable products in product portfolio.



# SUSTAINABILITY REPORT

## Approach

Major chemical producers are increasingly focused on developing products which reduces environmental impact, thereby providing sustainable alternatives to conventional products. As a distributor of chemicals, our goal is to add more of such sustainable products into our product portfolio and introducing them to our customers, hence contributing to the industry's sustainability objectives. In 2021, we added into our product range with mass balance supply chain including RSPO certified palm oil's derivative products.

## PRODUCT COMPLIANCE

### Objective

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

### Approach

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

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

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

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

### Performance Highlights

There has been no cases of non-compliance with regulations concerning product compliance (2020 nil).

## SUSTAINABLE PROCUREMENT

### Objective

To contribute towards achieving a common vision of sustainable procurement within the chemical industry ecosystem.

To minimize negative impacts on human health and the environment while supporting a diverse, equitable, and vibrant community and economy.

## Approach

Our Sustainable Procurement Policy is intended to:

- communicate Megachem's commitment to sustainable purchasing to its employees, vendors and community
- complement and support implementation of Megachem's sustainability goals and policies
- provide responsible sourcing and procurement guidance
- empower employees to demonstrate leadership by considering sustainability benefits when making purchasing decisions

Our Sustainable Procurement Policy also sets out the following principles:

- adopts internationally recognised standards of health and safety measures
- protects our environment by minimising impact of our business on environment
- conduct our business in a socially responsible and ethical manner

This policy applies to all Megachem employees, vendors, contractors and providers of products and services to Megachem.

- Supplier Assessment

Megachem will evaluate and select suppliers based on criteria such as quality, price, lead time, quality of management, technical standards and abilities as well as its sustainable procurement policies and practices.

In 2021, internal processes were enhanced to check and ensure that sustainability criteria are taken into consideration when introducing a new supplier. The new assessment of supplier is done through self-audit questionnaire that consists of 5 categories, i.e. management responsibility, resource management, quality management system, health, safety & environment management system and corporate social responsibility.

To ensure sustainability, score above 71% would be considered as preferred supplier which Megachem would partner with and cooperate on a long-term basis.

- Supplier Code of Conduct

Megachem expects our suppliers to comply with our Supplier Code of Conduct which includes among others adhering to applicable laws and regulations as well as internationally recognized environmental, social and corporate governance standards (ESG standards). Megachem also expect our suppliers to implement these standards with their suppliers and subcontractors.

The Supplier Code of Conduct is available to all suppliers via our company's website. To encourage greater compliance, a soft copy will be sent to suppliers for their acknowledgement.

## SUSTAINABILITY REPORT

### Target

By the end of 2022, Megachem aims to re-assess top 80% spend supplier through self-audit questionnaire to ensure our suppliers continue to partner with us in making progress together in our Sustainability journey.

## SOCIAL – LABOUR PRACTICES & WORK ENVIRONMENT

### Objective

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

### Approach

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

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

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

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

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

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

We adopt the best Fair Employment Practices from Tripartite Alliance for Fair Employment practices (TAFEP). TAFEP works with companies, government and unions to adopt and implement fair employment practices.

### Subsidy for Children's Education & Support Grant

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

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

### Training and Education

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



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

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

### Diversity, Inclusion & Equal Opportunity

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

### Child Labour/Forced Labour/Harassment

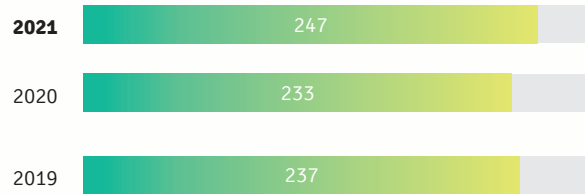
Building on the culture of mutual respect is a set of clear policies against child labour, forced labour and harassment. Megachem prohibits such unethical labour practices and will take necessary action against any such practices. These policies are spelt out in our Code of Business Ethics and shared with all our employees regularly.

# SUSTAINABILITY REPORT

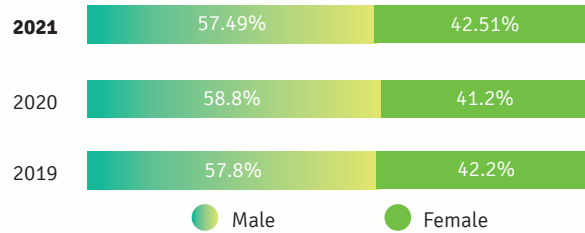
## Performance Highlights

Megachem has 247 employees in its organization as at 31 December 2021.

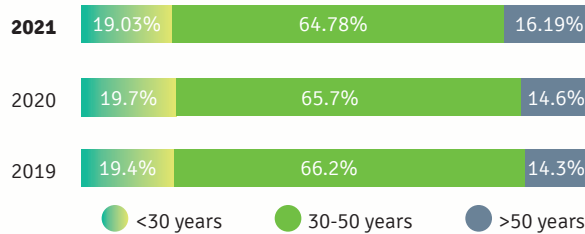
### TOTAL EMPLOYEE (GROUP)



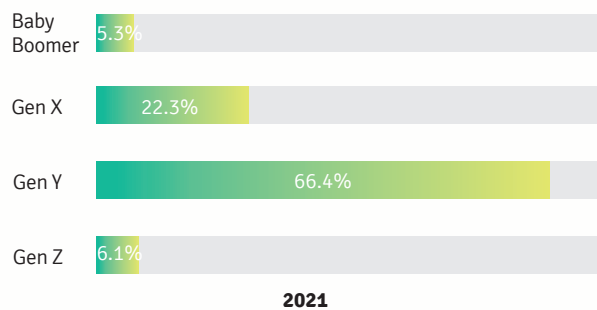
### GENDER DIVERSITY (GROUP)



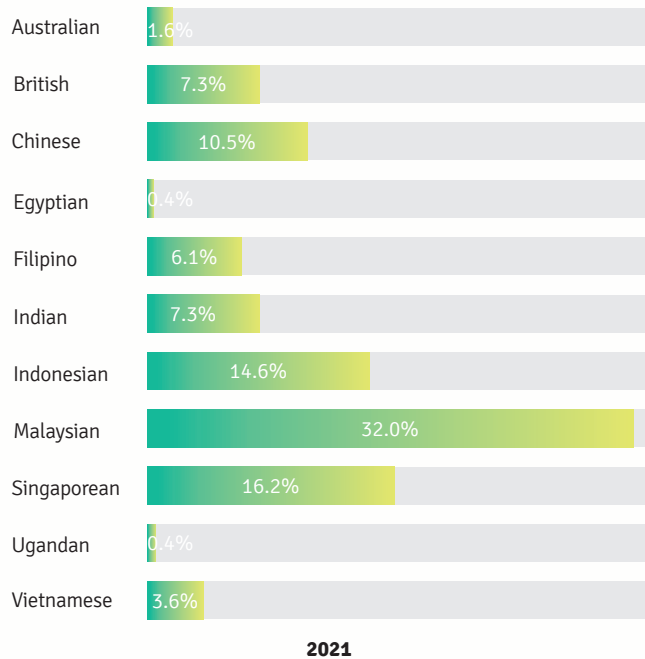
### EMPLOYEE AGE DISTRIBUTION (GROUP)



### GENERATION (GROUP)



### NATIONALITY (GROUP)





**SUSTAINABILITY REPORT**

**SOCIAL – SOCIETY**

**Objective**

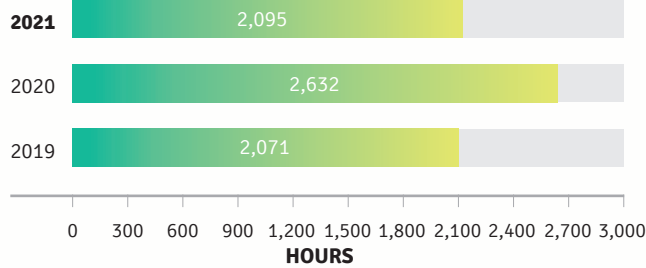
To play our part in nation building.

**Approach**

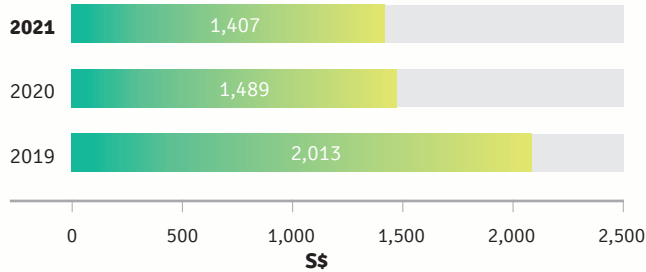
At Megachem, we recognize that businesses have a part to play in nation-building especially in providing assistance to people who are less fortunate than others. As such, we work closely with charitable organizations in finding ways for us to contribute to society. These come not just in the form of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

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

**TOTAL TRAINING HOURS (GROUP)**



**TOTAL CHILD EDUCATION SUBSIDY (GROUP)**



**Performance Highlights**

**Total Donation (Group)**



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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 2021.

## 1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of the statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

## 2. Directors

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

Chew Choon Tee  
Tan Bock Chia  
Lee Bon Leong  
Chan Kam Loon  
Tay Kin Bee  
Yasutaka Kawamura

## 3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the reporting year were not interested in shares in or debentures of the Company or other related body corporate as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act 1967 (the "Act") except as follows:

Name of directors	Direct Interest		Deemed Interest	
	At 1.1.21	At 31.12.21	At 1.1.21	At 31.12.21
	Number of shares of no par value			
Chew Choon Tee	46,724,616	46,940,016	444,296	444,296
Tan Bock Chia	25,435,083	25,435,083	-	-
Lee Bon Leong	100,000	100,000	-	-

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

The directors' interests as at 21 January 2022 were the same as at 31 December 2021 except for Chew Choon Tee whose direct shareholdings as at 21 January 2022 were 46,955,116.

## 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 other body corporate in the Group was granted.

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

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

### 6. Report of Audit Committee

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

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

The Audit Committee carried out its function in accordance with section 201B(5) of the Companies Act 1967. 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 with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor;
- review the Group's results announcements, consolidated financial statements and other documents accompanying the same before they are recommended to the board for approval; and
- review and, where appropriate, approve interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

# STATEMENT BY DIRECTORS

## 6. Report of Audit Committee (cont'd)

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

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

## 7. Independent auditor

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

## 8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the Audit Committee and the board are of the opinion that Group's system of internal controls, addressing financial, operational, compliance risks, are adequate as at the end of the reporting year 31 December 2021.

## 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 21 February 2022, 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  
Managing Director

10 March 2022

.....  
Lee Bon Leong  
Independent and Non-Executive Chairman





# INDEPENDENT AUDITOR'S REPORT

## Report on the audit of the financial statements

### Opinion

We have audited the accompanying financial statements of Megachem Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the reporting year then ended, and notes to the financial statements, including accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the “Act”) and the Singapore Financial Reporting Standards (International) (“SFRS(I)”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the reporting year ended on that date.

### Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (“ACRA”) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (“ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters (“KAMs”) are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current reporting year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 1. Impairment of trade receivables

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

#### Key audit matter

The carrying amount of trade receivables amounted to \$30,576,738 which accounted for approximately 28% of the Group’s total assets as at the reporting year end.

The gross amount of trade receivables past due over 6 months amounted to \$515,154. Specific provision amounted to \$9,346, and loss allowance under the expected credit loss matrix stood at \$501,774, leaving a net amount of \$4,034 that was not provided for as management is of the view that these amounts are recoverable, based on their knowledge of the customers’ payment history and credit worthiness.

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

# INDEPENDENT AUDITOR'S REPORT

## Key audit matters (cont'd)

### 1. Impairment of trade receivables (cont'd)

#### How we addressed the matter in our audit

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

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

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

### 2. Impairment of inventories

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

#### Key audit matter

The carrying amount of inventories amounted to \$36,452,737, which accounted for approximately 33% of the Group's total assets as at the reporting year end.

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

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

#### How we addressed the matter in our audit

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

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

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

## INDEPENDENT AUDITOR'S REPORT

### Key audit matters (cont'd)

#### 3. Impairment of subsidiaries

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

#### Key audit matter

The carrying amount of subsidiaries recorded by the Company amounted to \$6,023,472, which accounted for approximately 11% of the Company's total assets as at the reporting year end.

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

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

#### How we addressed the matter in our audit

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

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

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

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

### Other information

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

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

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

# INDEPENDENT AUDITOR'S REPORT

## Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and the financial reporting standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Woo E-Sah.

RSM Chio Lim LLP  
Public Accountants and  
Chartered Accountants  
Singapore

10 March 2022

Engagement partner – effective from year ended 31 December 2017



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2021

	Notes	Group	
		2021 \$	2020 \$
<b>Revenue</b>	3	<b>138,901,918</b>	105,238,674
Cost of sales		<b>(104,789,913)</b>	(78,732,036)
<b>Gross profit</b>		<b>34,112,005</b>	26,506,638
Other income	3	<b>1,125,642</b>	1,939,416
Distribution costs		<b>(17,580,631)</b>	(14,917,984)
Administrative expenses		<b>(6,303,894)</b>	(5,674,365)
Other operating expenses		<b>(2,978,226)</b>	(2,783,285)
Finance costs	5	<b>(804,105)</b>	(726,344)
Share of profit of associated companies	14	<b>1,614,931</b>	1,593,846
<b>Profit before income tax</b>		<b>9,185,722</b>	5,937,922
Income tax expense	7	<b>(1,195,659)</b>	(680,099)
<b>Net profit</b>		<b>7,990,063</b>	5,257,823
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange difference on translating foreign operations, net of tax		<b>(489,785)</b>	(340,317)
<b>Total comprehensive income</b>		<b>7,500,278</b>	4,917,506
Net profit attributable to equity holders of the Company		<b>7,761,046</b>	5,125,689
Net profit attributable to non-controlling interests		<b>229,017</b>	132,134
<b>Net profit</b>		<b>7,990,063</b>	5,257,823
Total comprehensive income attributable to equity holders of the Company		<b>7,226,733</b>	4,794,227
Total comprehensive income attributable to non-controlling interests		<b>273,545</b>	123,279
<b>Total comprehensive income</b>		<b>7,500,278</b>	4,917,506
<b>Earnings per share for profit attributable to equity holders of the Company (cents per share)</b>			
Basic and diluted	9	<b>5.82</b>	3.85

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

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Notes	Group		Company	
		2021 \$	2020 \$	2021 \$	2020 \$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	15,222,238	12,651,021	1,087,803	1,291,700
Right-of-use assets	11	2,798,547	2,689,043	1,040,916	1,102,035
Investment property	12	68,789	72,921	-	-
Investments in subsidiaries	13	-	-	6,023,472	5,571,772
Investments in associated companies	14	7,973,809	7,613,201	2,798,756	2,798,756
Transferable club memberships	15	26,662	27,001	4,001	4,001
Other receivables	17	-	-	1,392,587	1,824,630
Deferred tax assets	7	633,668	561,303	-	-
<b>Total non-current assets</b>		<b>26,723,713</b>	<b>23,614,490</b>	<b>12,347,535</b>	<b>12,592,894</b>
<b>Current assets</b>					
Inventories	16	36,452,737	24,374,512	19,915,170	10,698,800
Trade and other receivables	17	31,138,575	24,235,577	20,864,565	16,252,221
Financial assets at fair value through profit or loss	18	564,314	354,338	550,000	350,000
Other current assets	19	4,515,346	2,516,114	1,659,486	486,181
Cash and cash balances	20	11,531,588	16,216,839	1,703,083	2,042,637
<b>Total current assets</b>		<b>84,202,560</b>	<b>67,697,380</b>	<b>44,692,304</b>	<b>29,829,839</b>
<b>Total assets</b>		<b>110,926,273</b>	<b>91,311,870</b>	<b>57,039,839</b>	<b>42,422,733</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	21	15,892,028	15,892,028	15,892,028	15,892,028
Other reserves	22	(4,717,992)	(4,183,679)	-	-
Retained earnings		46,084,286	40,722,640	7,836,034	6,353,439
		57,258,322	52,430,989	23,728,062	22,245,467
Non-controlling interests		3,129,697	2,856,152	-	-
<b>Total equity</b>		<b>60,388,019</b>	<b>55,287,141</b>	<b>23,728,062</b>	<b>22,245,467</b>
<b>Non-current liabilities</b>					
Borrowings	23	1,416,667	2,555,154	1,416,667	1,875,000
Financial liabilities - lease liabilities	25	2,578,530	2,562,632	1,086,409	1,128,956
<b>Total non-current liabilities</b>		<b>3,995,197</b>	<b>5,117,786</b>	<b>2,503,076</b>	<b>3,003,956</b>
<b>Current liabilities</b>					
Current income tax liabilities		610,423	203,350	361,000	131,764
Trade and other payables	24	18,006,212	13,532,216	10,707,247	6,478,194
Borrowings	23	27,536,109	16,790,215	19,717,910	10,537,042
Financial liabilities - lease liabilities	25	355,321	214,651	14,306	13,958
Financial liabilities at fair value through profit or loss	26	34,992	166,511	8,238	12,352
<b>Total current liabilities</b>		<b>46,543,057</b>	<b>30,906,943</b>	<b>30,808,701</b>	<b>17,173,310</b>
<b>Total liabilities</b>		<b>50,538,254</b>	<b>36,024,729</b>	<b>33,311,777</b>	<b>20,177,266</b>
<b>Total equity and liabilities</b>		<b>110,926,273</b>	<b>91,311,870</b>	<b>57,039,839</b>	<b>42,422,733</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2021

<b>Group:</b>	<b>Notes</b>	<b>Total equity \$</b>	<b>Parent subtotal \$</b>	<b>Share capital \$</b>	<b>Other reserves \$</b>	<b>Retained earnings \$</b>	<b>Non-Controlling interests \$</b>
<b>Current year:</b>							
Opening balance at 1 January 2021		<b>55,287,141</b>	<b>52,430,989</b>	<b>15,892,028</b>	<b>(4,183,679)</b>	<b>40,722,640</b>	<b>2,856,152</b>
Total comprehensive income for the reporting year		<b>7,500,278</b>	<b>7,226,733</b>	-	<b>(534,313)</b>	<b>7,761,046</b>	<b>273,545</b>
Final dividend relating to 2020 paid	8	<b>(1,333,000)</b>	<b>(1,333,000)</b>	-	-	<b>(1,333,000)</b>	-
Interim dividend relating to 2021 paid	8	<b>(1,066,400)</b>	<b>(1,066,400)</b>	-	-	<b>(1,066,400)</b>	-
<b>Closing balance at 31 December 2021</b>		<b>60,388,019</b>	<b>57,258,322</b>	<b>15,892,028</b>	<b>(4,717,992)</b>	<b>46,084,286</b>	<b>3,129,697</b>
<b>Previous year:</b>							
Opening balance at 1 January 2020		52,445,989	49,636,262	15,892,028	(3,852,217)	37,596,451	2,809,727
Total comprehensive income for the reporting year		4,917,506	4,794,227	-	(331,462)	5,125,689	123,279
Final dividend relating to 2019 paid	8	(1,333,000)	(1,333,000)	-	-	(1,333,000)	-
Interim dividend relating to 2020 paid	8	(666,500)	(666,500)	-	-	(666,500)	-
Final dividend relating to 2019 paid to non-controlling interests		(76,854)	-	-	-	-	(76,854)
<b>Closing balance at 31 December 2020</b>		<b>55,287,141</b>	<b>52,430,989</b>	<b>15,892,028</b>	<b>(4,183,679)</b>	<b>40,722,640</b>	<b>2,856,152</b>

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2021

	Notes	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Net profit		7,990,063	5,257,823
Adjustments for:			
Depreciation of property, plant and equipment and investment property		765,999	887,210
Depreciation of right-of-use assets		447,782	354,882
Dividend income		(4,851)	(4,780)
Gain on disposal of property, plant and equipment		(14,613)	(20,490)
Share of profit of associated companies		(1,614,931)	(1,593,846)
Income tax expense		1,195,659	680,099
Interest income		(88,630)	(191,582)
Finance costs		804,105	726,344
Net changes in fair value of financial assets at fair value through profit or loss		(214,486)	(131,791)
Changes in fair value of financial liabilities at fair value through profit or loss		35,397	163,593
Operating cash flows before working capital changes		9,301,494	6,127,462
Change in operating assets and liabilities:			
Trade and other receivables		(6,806,505)	(1,096,337)
Other current assets		(1,983,685)	(148,611)
Inventories		(11,945,984)	1,062,116
Trade and other payables		4,422,028	800,061
Foreign exchange adjustment differences		(67,183)	(54,547)
Cash generated from operations		(7,079,835)	6,690,144
Income tax paid		(876,498)	(760,527)
Interest received		92,223	199,951
<b>Net cash (used in)/from operating activities</b>		<b>(7,864,110)</b>	<b>6,129,568</b>
<b>Cash flows from investing activities</b>			
Dividends received from associated company and listed equity securities		618,594	447,785
Purchase of property, plant and equipment		(3,423,480)	(2,822,339)
Proceeds from sale of property, plant and equipment		14,899	21,323
<b>Net cash used in investing activities</b>		<b>(2,789,987)</b>	<b>(2,353,231)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(2,399,400)	(1,999,500)
Dividends paid by subsidiary to non-controlling shareholders		-	(76,854)
(Repayments of)/proceeds from long term bank loans		(933,701)	1,554,332
Proceeds from bill payables		6,686,405	1,395,292
Proceeds from/(repayments of) short term bank loans		3,636,335	(2,546,109)
Lease liabilities		(548,591)	(456,951)
Interest paid		(635,567)	(643,761)
<b>Net cash from/(used in) financing activities</b>		<b>5,805,481</b>	<b>(2,773,551)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(4,848,616)</b>	<b>1,002,786</b>
Cash and cash equivalents, statement of cash flows, beginning balance		15,913,792	14,880,406
Effects of exchange rate changes on cash and cash equivalents		42,445	30,600
<b>Cash and cash equivalents, statement of cash flows, ending balance</b>	20A	<b>11,107,621</b>	<b>15,913,792</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 1. General

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

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

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

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

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

### Uncertainties relating to the Covid-19 pandemic

The Covid-19 pandemic and the aftermath of the pandemic has had, or may have an impact, on the reporting entity based on known information that extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the reporting entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the reporting entity unfavourably as at the reporting date or subsequently as a result of the pandemic.

### Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)”) and the related Interpretations to SFRS(I) (“SFRS(I) INT”) as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act 1967 and with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”).

### Accounting convention

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

### Basis of preparation of the financial statements

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

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2021

**1. General (cont'd)****Basis of presentation**

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

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 equity investments financial assets in accordance with the financial reporting standard on financial instruments.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act 1967, the Company's separate statement of profit or loss and other comprehensive income is not presented.

**2. Significant accounting policies and other explanatory information****2A. Significant accounting policies****Revenue recognition**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

### 2A. Significant accounting policies (cont'd)

#### Other income

Rental income from operating leases is recognised on 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.

Interest income is recognised using the effective interest method.

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

#### Government grants

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

#### Employee benefits

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

#### Borrowing costs

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

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2021

**2. Significant accounting policies and other explanatory information (cont'd)****2A. Significant accounting policies (cont'd)****Foreign currency transactions**

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

**Translation of financial statements of other entities**

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

**Income tax**

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

A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries and associates except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

### 2A. Significant accounting policies (cont'd)

#### Property, plant and equipment

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

Freehold buildings	-	50 years
Buildings on leasehold land	-	Over the period of lease of 20 to 30 years
Machinery and equipment	-	5 to 8 years
Motor vehicles	-	3 to 5 years
Computer equipment, furniture and fixtures	-	3 to 5 years

Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

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

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

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

#### Investment property

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee as a right-of-use asset under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. It includes an investment property in the course of construction.

After initial recognition at cost including transaction costs the cost model is used to measure the investment property using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value. For disclosure purposes only, the fair values are measured periodically on a systematic basis at least once in five years by external independent professional valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

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

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2021

**2. Significant accounting policies and other explanatory information (cont'd)****2A. Significant accounting policies (cont'd)****Right-of-use assets**

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

Land	-	35 years
Office premises	-	2 to 5 years
Warehouse building	-	3 years
Motor vehicles	-	3 to 5 years

**Leases of lessee**

A lease conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. Where a lease arrangement is identified, a liability to the lessor is recognised as a lease obligation calculated at the present value of minimum lease payments. A corresponding right-of-use asset is recorded (or included in property, plant and equipment). Lease payments are apportioned between finance costs and reduction of the lease liability so as to reflect the interest on the remaining balance of the liability. Finance charges are recorded as an finance cost. Right-of-use assets are depreciated over the shorter of the estimated useful life of the asset and the lease term. Leases with a term of 12 months or less and leases for low value are not recorded as a liability and lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

**Leases of lessor**

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

**Subsidiaries**

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity. In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

### 2A. Significant accounting policies (cont'd)

#### Associates

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

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

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

#### Business combinations

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



**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2021

**2. Significant accounting policies and other explanatory information (cont'd)****2A. Significant accounting policies (cont'd)****Non-controlling interests**

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

**Inventories**

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

**Carrying amounts of non-financial assets**

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

### 2A. Significant accounting policies (cont'd)

#### Financial instruments

Recognition and derecognition of financial instruments:

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

At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.
2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("FVTOCI"): There were no financial assets classified in this category at reporting year end date.
3. Financial asset that is an equity investment classified as measured at FVTOCI: There were no financial assets classified in this category at reporting year end date.
4. Financial asset classified as measured at FVTPL: All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities:

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

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2021

**2. Significant accounting policies and other explanatory information (cont'd)****2A. Significant accounting policies (cont'd)****Cash and cash equivalents**

For the statement of cash flows, cash and cash equivalents includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Derivative financial instruments**

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

**Fair value measurement**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

### 2B. Other explanatory information

#### Provisions

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

#### Segment reporting

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

### 2C. Critical judgements, assumptions and estimation uncertainties

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

Assessment of allowance on 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.

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2021

**2. Significant accounting policies and other explanatory information (cont'd)****2C. Critical judgements, assumptions and estimation uncertainties (cont'd)**

Assessment of expected credit loss allowance on trade receivables:

The allowance for expected credit losses (ECL) assessment requires a degree of estimation and judgement. It is based on the lifetime ECL for trade receivables. In measuring the expected credit losses, management considers all reasonable and supportable information such as the reporting entity's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward looking information such as forecasts of future economic conditions (including the impact of the Covid-19 pandemic). The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note on trade and other receivables.

Measurement of impairment of subsidiary or associate:

Where an investee is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset. The carrying amount of the specific asset at the end of the reporting year affected by the assumption is \$1,371,719 (2020: \$920,019).

Income tax amounts:

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 3. Revenue and other income

	Group	
	2021 \$	2020 \$
Sale of goods	<b>134,529,067</b>	102,145,258
Rendering of services	<b>4,372,851</b>	3,093,416
Total sales	<b>138,901,918</b>	105,238,674
Other income		
– Trade receivables recovered	<b>337,677</b>	364,448
– Changes in fair value of financial assets at fair value through profit or loss – listed equity securities (Note 18)	<b>200,000</b>	127,500
– Changes in fair value of financial assets at fair value through profit or loss – forward foreign exchange contract (Note 26)	<b>14,486</b>	4,291
– Compensation claims	<b>128,927</b>	–
– Dividend income from quoted corporations	<b>4,851</b>	4,780
– Gain on disposal of property, plant and equipment	<b>14,613</b>	20,490
– Government grant – others	<b>53,465</b>	260,421
– Government grant – Jobs support scheme	<b>266,637</b>	897,267
– Interest income – banks	<b>88,630</b>	191,582
– Net foreign exchange gain	–	52,128
– Rental income	<b>16,356</b>	16,509
Other income	<b>1,125,642</b>	1,939,416
Total sales and other income	<b>140,027,560</b>	107,178,090

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

The Jobs Support Scheme is introduced by the government under the Stabilisation and Support Package that was announced during Budget 2020, with the intention of providing greater assurance and support to workers and enterprises during the COVID-19 pandemic. During the reporting years ended 31 December 2021 and 31 December 2020, wage support received from government has been recorded within other income.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 4. Expense by nature

The major components and other selected components include the following:

	Group	
	2021	2020
	\$	\$
Cost of inventories	<b>101,261,277</b>	75,448,137
Depreciation of investment property (Note 12)	<b>3,065</b>	3,093
Depreciation of property, plant and equipment (Note 10)	<b>762,934</b>	884,117
Depreciation of right-of-use assets (Note 11)	<b>447,782</b>	354,882
Employee compensation (Note 6)	<b>18,747,587</b>	15,305,977
Changes in fair value of financial liabilities at fair value through profit or loss (Note 26)	<b>35,397</b>	163,593
Net foreign exchange translation loss	<b>160,957</b>	-
Impairment of doubtful trade receivables – individually impaired (Note 17)	<b>100,001</b>	69,000
Impairment of doubtful trade receivables – collectively impaired (Note 17)	-	4,000
Allowance for inventories (Note 16)	<b>137,056</b>	891,216
Rental on short term leases (Note 25)	<b>166,454</b>	174,929
Warehouse storage charges	<b>2,604,070</b>	2,578,523

## 5. Finance costs

	Group	
	2021	2020
	\$	\$
Interest expense:		
- Bills payable to banks	<b>358,676</b>	260,860
- Bank loans	<b>237,856</b>	313,380
- Bank overdraft	<b>59,928</b>	10,294
- Lease for right-of-use assets (Note 25)	<b>147,645</b>	141,810
Total finance costs	<b>804,105</b>	726,344

## 6. Employee compensation

	Group	
	2021	2020
	\$	\$
Wages and salaries	<b>17,233,022</b>	13,999,655
Contributions to defined contribution plans	<b>1,514,565</b>	1,306,322
Total employee compensation (Note 4)	<b>18,747,587</b>	15,305,977

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 7. Income tax expense

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

	Group	
	2021	2020
	\$	\$
Current tax expense:		
Current tax expense	<b>1,336,953</b>	863,894
Over adjustments to current tax in respect of prior periods	<b>(68,929)</b>	(64,798)
Subtotal	<b>1,268,024</b>	799,096
Deferred tax income:		
Deferred tax income	<b>(28,585)</b>	(102,581)
Over adjustments to deferred tax in respect of prior periods	<b>(43,780)</b>	(16,416)
Subtotal	<b>(72,365)</b>	(118,997)
Total income tax expense	<b>1,195,659</b>	680,099

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% (2020: 17.0%) to profit before income tax as a result of the following differences:

	Group	
	2021	2020
	\$	\$
Profit before tax	<b>9,185,722</b>	5,937,922
Less: share of profit of associated companies	<b>(1,614,931)</b>	(1,593,846)
	<b>7,570,791</b>	4,344,076

	Group	
	2021	2020
	\$	\$
Income tax expense at the above rate	<b>1,287,034</b>	738,493
Not deductible items	<b>178,006</b>	46,944
Income not subjected to tax	<b>(41,256)</b>	(151,772)
Tax exemptions	<b>(31,081)</b>	(30,588)
Over adjustments to tax in respect of prior periods	<b>(112,709)</b>	(81,214)
Withholding taxes paid	<b>95,129</b>	87,581
Effect of different tax rates, rebates and incentives	<b>127,312</b>	63,906
Unrecognised deferred tax asset	-	6,749
Previously unrecognised deferred tax assets recognised this year	<b>(364,576)</b>	-
Other minor items	<b>57,800</b>	-
Total income tax expense	<b>1,195,659</b>	680,099

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



**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2021

**7. Income tax expense (cont'd)****7B. Deferred tax income recognised in profit or loss include:**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<u>Deferred tax liabilities:</u>		
Excess of net book value of plant and equipment over tax values	<b>12,781</b>	59,934
<u>Deferred tax assets:</u>		
Provisions	<b>38,393</b>	(176,459)
Tax loss carryforwards	<b>(123,539)</b>	(2,472)
Total deferred tax income recognised in profit or loss	<b>(72,365)</b>	(118,997)

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

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

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<u>Deferred tax liabilities:</u>		
Excess of net book value of plant and equipment over tax values	<b>130,874</b>	118,093
Total deferred tax liabilities	<b>130,874</b>	118,093
<u>Deferred tax assets:</u>		
Provisions	<b>(518,248)</b>	(556,641)
Tax loss carryforwards	<b>(246,294)</b>	(122,755)
Total deferred tax assets	<b>(764,542)</b>	(679,396)
Net total of deferred tax assets	<b>(633,668)</b>	(561,303)

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<u>Deferred tax liabilities:</u>		
Excess of net book value of plant and equipment over tax values	<b>177,546</b>	134,134
<u>Deferred tax assets:</u>		
Provisions	<b>(177,546)</b>	(134,134)
Total deferred tax liability	<b>-</b>	-

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 7. Income tax expense (cont'd)

### 7C. Deferred tax balance in the statement of financial position: (cont'd)

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 \$3,075,000 and \$1,071,000 (2020: \$5,086,000 and \$1,202,000) 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 \$600,000 which will expire between 2022 to 2028. Unutilised capital allowances do not have expiry dates.

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

## 8. Dividends

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Final tax exempt dividend paid of 1.0 cents (2020: tax exempt 1.0 cents) per share in respect of the previous reporting year	<b>1,333,000</b>	1,333,000
Interim tax exempt dividend paid of 0.8 cents (2020: tax exempt 0.5 cents) per share in respect of current reporting year	<b>1,066,400</b>	666,500
Total dividends paid in the year	<b>2,399,400</b>	1,999,500

The directors have proposed that a final tax exempt dividend of 1.2 cents per share with a total of \$1,599,600 be paid to shareholders after the annual general meeting to be held on 18 April 2022. There are no income tax consequences. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including the new qualifying shares issued up to the date the dividend becomes payable.

## 9. Earnings per share

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

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
The calculation of earnings per share is based on the following:		
Net profit for the year attributable to equity holders of the Company (\$)	<b>7,761,046</b>	5,125,689
Weighted average number of ordinary shares on issue for basic earnings per share	<b>133,300,000</b>	133,300,000

The Company and Group do not have any discontinued operations.

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

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 10. Property, plant and equipment

	Freehold land \$	Freehold buildings \$	Buildings on leasehold land \$	Machinery and equipment \$	Motor vehicles \$	Computer equipment, furniture and fixtures \$	Construction in progress \$	Total \$
<b>Group</b>								
<u>Cost:</u>								
At 1 January 2020	3,163,993	131,604	10,473,065	5,114,201	1,758,768	4,798,385	-	25,440,016
Currency translation differences	5,718	238	(8,267)	(2,523)	(1,625)	(1,563)	-	(8,022)
Additions	-	-	54,936	81,775	134,476	170,870	2,803,509	3,245,566
Disposals	-	-	-	(7,448)	(165,346)	(19,153)	-	(191,947)
At 31 December 2020	3,169,711	131,842	10,519,734	5,186,005	1,726,273	4,948,539	2,803,509	28,485,613
Currency translation differences	(46,689)	(1,942)	7,629	595	1,841	6,351	(48,534)	(80,749)
Additions	-	-	4,800	308,687	48,785	71,973	2,989,235	3,423,480
Disposals	-	-	-	(39,200)	(53,544)	(16,671)	-	(109,415)
At 31 December 2021	3,123,022	129,900	10,532,163	5,456,087	1,723,355	5,010,192	5,744,210	31,718,929
<u>Accumulated depreciation:</u>								
At 1 January 2020	-	116,001	4,557,959	4,674,491	1,357,578	4,445,042	-	15,151,071
Currency translation differences	-	219	(2,038)	(2,647)	(2,357)	(2,659)	-	(9,482)
Depreciation charge	-	2,855	342,831	132,280	181,707	224,444	-	884,117
Disposals	-	-	-	(6,618)	(165,346)	(19,150)	-	(191,114)
At 31 December 2020	-	119,075	4,898,752	4,797,506	1,371,582	4,647,677	-	15,834,592
Currency translation differences	-	(1,761)	1,815	1,047	2,164	5,029	-	8,294
Depreciation charge	-	2,829	344,946	115,049	137,814	162,296	-	762,934
Disposals	-	-	-	(39,200)	(53,544)	(16,385)	-	(109,129)
At 31 December 2021	-	120,143	5,245,513	4,874,402	1,458,016	4,798,617	-	16,496,691
<u>Carrying value:</u>								
At 1 January 2020	3,163,993	15,603	5,915,106	439,710	401,190	353,343	-	10,288,945
At 31 December 2020	3,169,711	12,767	5,620,982	388,499	354,691	300,862	2,803,509	12,651,021
At 31 December 2021	3,123,022	9,757	5,286,650	581,685	265,339	211,575	5,744,210	15,222,238

The construction-in-progress of \$5,744,210 (2020: \$2,803,509) relate to the construction of an office/warehouse building on industrial land at Seri Alam Industrial Park, Sungai Kapar, Indah, Klang, Selangor.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

The depreciation expense is charged to profit or loss under:

	Group	
	2021 \$	2020 \$
Cost of sales	29,632	33,783
Operating expenses	733,302	850,334
Total	<u>762,934</u>	<u>884,117</u>

	Buildings on leasehold land \$	Machinery and equipment \$	Motor vehicles \$	Computer equipment, furniture and fixtures \$	Total \$
<b>Company</b>					
<u>Cost:</u>					
At 1 January 2020	3,574,468	724,045	983,101	2,756,586	8,038,200
Additions	-	67,927	134,476	73,594	275,997
Disposals	-	-	(143,436)	(11,344)	(154,780)
At 31 December 2020	3,574,468	791,972	974,141	2,818,836	8,159,417
Additions	-	87,500	-	33,934	121,434
Disposals	-	-	-	(3,805)	(3,805)
At 31 December 2021	<u>3,574,468</u>	<u>879,472</u>	<u>974,141</u>	<u>2,848,965</u>	<u>8,277,046</u>
<u>Accumulated depreciation:</u>					
At 1 January 2020	2,756,643	527,998	734,677	2,673,261	6,692,579
Depreciation charge	119,150	57,692	103,271	49,805	329,918
Disposals	-	-	(143,436)	(11,344)	(154,780)
At 31 December 2020	2,875,793	585,690	694,512	2,711,722	6,867,717
Depreciation charge	119,149	59,617	98,463	48,102	325,331
Disposals	-	-	-	(3,805)	(3,805)
At 31 December 2021	<u>2,994,942</u>	<u>645,307</u>	<u>792,975</u>	<u>2,756,019</u>	<u>7,189,243</u>
<u>Carrying value:</u>					
At 1 January 2020	817,825	196,047	248,424	83,325	1,345,621
At 31 December 2020	698,675	206,282	279,629	107,114	1,291,700
At 31 December 2021	<u>579,526</u>	<u>235,165</u>	<u>181,166</u>	<u>92,946</u>	<u>1,087,803</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 11. Right-of-use assets

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

	Land \$	Office premises \$	Warehouse building \$	Motor vehicles \$	Total \$
<b>Group</b>					
<u>Cost:</u>					
At 1 January 2020	2,342,679	576,974	138,474	108,461	3,166,588
Currency translation differences	-	3,871	250	2,515	6,636
Additions	-	186,100	-	49,639	235,739
Expired	-	(172,480)	-	(34,556)	(207,036)
At 31 December 2020	2,342,679	594,465	138,724	126,059	3,201,927
Currency translation differences	-	19,725	(1,712)	1,763	19,776
Additions	-	549,148	-	31,617	580,765
Expired	-	(95,437)	(157,582)	(51,785)	(147,222)
Modification	(57,256)	-	20,570	-	(36,686)
At 31 December 2021	2,285,423	1,067,901	-	107,654	3,618,560
<u>Accumulated depreciation:</u>					
At 1 January 2020	66,539	197,720	51,928	47,050	363,237
Currency translation differences	-	414	253	1,134	1,801
Depreciation for the year	66,539	193,102	51,863	43,378	354,882
Expired	-	(172,480)	-	(34,556)	(207,036)
At 31 December 2020	133,078	218,756	104,044	57,006	512,884
Currency translation differences	-	7,090	(1,285)	764	6,569
Depreciation for the year	65,166	282,488	54,823	45,305	447,782
Expired	-	(95,437)	(157,582)	(51,785)	(147,222)
At 31 December 2021	198,244	412,897	-	51,290	820,013
<u>Carrying value:</u>					
At 1 January 2020	2,276,140	379,254	86,546	61,411	2,803,351
At 31 December 2020	2,209,601	375,709	34,680	69,053	2,689,043
At 31 December 2021	2,087,179	655,004	-	56,364	2,798,547

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

	<u>Land</u> <u>\$</u>
<b>Company</b>	
<u>Cost:</u>	
At 1 January 2020 and 31 December 2020	1,168,825
Modification	(28,590)
At 31 December 2021	<u>1,140,235</u>
<u>Accumulated depreciation:</u>	
At 1 January 2020	33,395
Depreciation for the year	33,395
At 31 December 2020	66,790
Depreciation for the year	32,529
At 31 December 2021	<u>99,319</u>
<u>Carrying value:</u>	
At 1 January 2020	<u>1,135,430</u>
At 31 December 2020	<u>1,102,035</u>
At 31 December 2021	<u>1,040,916</u>

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

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

	<b>Group</b>				<b>Company</b>
	<u>Land</u>	<u>Office premises</u>	<u>Warehouse building</u>	<u>Motor vehicles</u>	<u>Land</u>
Number of right-of-use assets	2	6	1	4	1
Remaining term – range (years)	32	0-4	0	0-2	32
Remaining term – average (years)	32	2	0	2	32

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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2021

**12. Investment property**

	Group	
	2021 \$	2020 \$
<u>At cost:</u>		
Balance at beginning of year	<b>138,254</b>	138,005
Currency translation differences	<b>(2,036)</b>	249
Balance at end of year	<b>136,218</b>	138,254
<u>Accumulated depreciation:</u>		
Balance at beginning of year	<b>65,333</b>	62,119
Depreciation charge	<b>3,065</b>	3,093
Currency translation differences	<b>(969)</b>	121
Balance at end of year	<b>67,429</b>	65,333
<u>Net book value:</u>		
Balance at beginning of year	<b>72,921</b>	75,886
Balance at end of year	<b>68,789</b>	72,921
	Group	
	2021 \$	2020 \$
Fair value:		
Fair value at end of year	<b>312,399</b>	317,069
Rental and service income from investment property	<b>16,356</b>	16,509
<b>Description/Location</b>	<b>Gross floor area</b>	<b>Tenure of land</b>
Condominium BL 20-3, 20th Floor, Mont' Kiara Palma, Jalan 1/70C, Off Bukit Kiara, Kuala Lumpur 50480, Malaysia	129 sq m	Freehold

The fair value of the investment property was based on a valuation made by independent professional valuer, Jones Lang Wootton, in February 2020 in accordance with domestic valuation standards established and where applicable and relevant, reference has been made to other established international manuals and standards. The firm holds a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 12. Investment property (cont'd)

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

Asset:	Freehold property at BL 20-3, 20th Floor, Mont' Kiara Palma, Jalan 1/70C, Off Bukit Kiara, Kuala Lumpur 50480, Malaysia
Fair value and fair value hierarchy – Level:	\$312,399 (2020: \$317,069). Level 2. (2020: Level 2).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs and range (weighted average):	Price per square feet \$221 -\$237 (2020: \$224 -\$230)
Relationship of unobservable inputs to fair value:	Not applicable.
Sensitivity on management's estimates – 10% variation from estimate	Impact – lower by \$31,240; higher by \$31,240.

The investment property was leased out for the years ended 31 December 2021 and 31 December 2020.

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

## 13. Investments in subsidiaries

	Company	
	2021 \$	2020 \$
Movements during the year:		
Balance at beginning of year	5,571,772	5,871,772
Allowance for impairment	-	(300,000)
Write back of impairment	451,700	-
Balance at end of year	6,023,472	5,571,772
Net book value of subsidiaries	31,674,135	27,546,709
Total cost comprising:		
Unquoted equity shares at cost	7,087,972	7,087,972
Allowance for impairment	(1,064,500)	(1,516,200)
Total at cost	6,023,472	5,571,772
Movements in allowance for impairment:		
At beginning of year	1,516,200	1,216,200
Impairment loss (written back)/charged to profit or loss included in (other income)/other losses (a)	(451,700)	300,000
At end of the year	1,064,500	1,516,200

(a) The increasing performance of subsidiary Megachem Middle East FZE was considered sufficient evidence to reverse the impairment loss as at 31 December 2021. It has better performance from an increase in demand in sales.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 13. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiary, principal activities, country of incorporation and place of operations	Effective percentage of equity held by Group	
	2021 %	2020 %
<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
Megachem Phils., Inc (c) Trading in chemicals and chemical-related products Philippines (Alas, Oplas & Co., CPA)	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 (c) Trading in chemicals and chemical-related products United Kingdom (Moore UK)	85	85
Megachem Middle East FZE (b) Trading in chemicals and chemical-related products U.A.E	100	100
Megachem Specialty Chemicals (I) Private Limited (b) (e) Trading in chemicals and chemical-related products India	100	100
Megachem Vietnam Company Limited (b) Trading in chemicals and chemical-related products Vietnam	100	100
MG Chemicals (Australia) Pty Ltd (d) Trading in chemicals and chemical-related products Australia	100	100

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 13. Investments in subsidiaries (cont'd)

Name of subsidiary, principal activities, country of incorporation and place of operations	Effective percentage of equity held by Group	
	2021 %	2020 %

### Held by subsidiaries

Megachem International Trading (Shanghai) Co., Ltd (b)  
Trading in chemicals and chemical-related products  
People's Republic of China

**85** 85

P.T. Mega Kemiraya (b)  
Trading in chemicals and chemical-related products  
Indonesia

**74** 74

- (a) Audited by RSM Chio Lim LLP.
- (b) Audited by member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.
- (c) Other independent auditor. Audited by firm of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member. Their names are indicated above.
- (d) Not audited as relieved from the requirement to prepare and lodge an audited financial report with the local authorities. The subsidiary is not material to the Group.
- (e) 1% of the equity interest is held through a subsidiary, Megachem Manufacturing Pte Ltd.

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

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited, the Audit Committee and the board of directors of the Company have satisfied themselves that the appointment of different auditors for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 14. Investments in associated companies

	Group	
	2021 \$	2020 \$
Movements in carrying value during the year:		
Balance at beginning of year	7,613,201	6,609,815
Currency translation differences	(640,580)	(147,455)
Share of profit for the year	1,614,931	1,593,846
Dividends received, net of tax	(613,743)	(443,005)
Balance at end of year	<u>7,973,809</u>	<u>7,613,201</u>
Share of net book value of associated companies	<u>7,973,809</u>	<u>7,613,201</u>
	Company	
	2021 \$	2020 \$
Carrying value:		
Unquoted equity shares at cost	<u>2,798,756</u>	<u>2,798,756</u>

Details of the associated companies are as follows:

**Name of associated companies, principal activities, country of incorporation and place of operations**

	Effective percentage of equity held by Group	
	2021 %	2020 %
Megachem (Thailand) Public Company Limited (a) Trading in chemicals and chemical-related products Thailand (EY Office Limited Bangkok)	36	36
<u>Held by Megachem (Thailand) Public Company Limited</u> Subsidiaries:		
Green Leaf Chemical Co., Limited (b) Import and distribution of chemicals for manufacturing of personal care products Thailand	20	-
Megachem Plus Limited (c) Import and distribution of ethanol chemicals Thailand	29	29
Megachem (Myanmar) Limited (d) Trading in construction material, hospital equipment, seeds and fertilizers Myanmar	18	18
Joint venture:		
Mega Fuji Graphite Limited (e) Production and sales of expandable graphite Thailand	18	-

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 14. Investments in associated companies (cont'd)

- (a) Other independent auditor. Audited by firm of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member. The name is indicated above.
- (b) Green Leaf Chemical Co., Limited is 55% owned by Megachem (Thailand) Public Company Limited.
- (c) Megachem Plus Limited is 80% owned by Megachem (Thailand) Public Company Limited.
- (d) Megachem (Myanmar) Limited is 51% owned by Megachem (Thailand) Public Company Limited.
- (e) Mega Fuji Graphite Limited is 49% owned by Megachem (Thailand) Public Company Limited.

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited, the Audit Committee and the board of directors of the Company have satisfied themselves that the appointment of different auditors for its overseas associated companies would not compromise the standard and effectiveness of the audit of the Group.

During the reporting year ended 31 December 2021, Megachem (Thailand) Public Company Limited (“MGT”) has incorporated the subsidiary, Green Leaf Chemical Co., Limited (“GLC”). The Company, through its 36% shareholding in MGT, has an indirect interest of approximately 20% in GLC.

During the reporting year ended 31 December 2021, MGT has incorporated a joint venture, Mega Fuji Graphite Limited (“MFG”) in Thailand with an equity interest of 49%. The balance 51% equity interest is held by Fuji Graphite Works Co., Ltd. The Company, through its shareholding in MGT, has an indirect interest of approximately 18% in MFG.

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

	2021 \$	2020 \$
Dividends paid	<b>1,687,760</b>	1,233,204
Revenue	<b>40,165,454</b>	33,303,743
Profit	<b>4,832,210</b>	4,847,273
Other comprehensive (loss)/income	<b>(2,620)</b>	23,975
Total comprehensive income	<b>4,829,590</b>	4,871,248
Current assets	<b>20,495,959</b>	17,647,478
Non-current assets	<b>14,245,274</b>	8,197,573
Current liabilities	<b>(6,190,789)</b>	(2,314,386)
Non-current liabilities	<b>(2,254,830)</b>	(871,401)
Net assets of the associate	<b>26,295,614</b>	22,659,264

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 15. Transferable club memberships

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
Transferable club memberships at cost	<b>77,871</b>	77,871	<b>47,071</b>	47,071
Currency translation differences	<b>(8,139)</b>	(7,800)	-	-
Less: allowance for impairment	<b>(43,070)</b>	(43,070)	<b>(43,070)</b>	(43,070)
Total transferable club memberships	<b>26,662</b>	27,001	<b>4,001</b>	4,001
Movement in allowance for impairment:				
Balance at beginning and end of year	<b>43,070</b>	43,070	<b>43,070</b>	43,070

The carrying value of club memberships is at cost less allowance for impairment. The fair value of the club memberships is deemed to be not reliably measurable as the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair values. Consequently it is carried at cost less allowance for impairment.

## 16. Inventories

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
Finished/trading goods	<b>36,452,737</b>	24,374,512	<b>19,915,170</b>	10,698,800
Inventories are stated after allowance.				
Movements in allowance during the year:				
Balance at beginning of the year	<b>4,058,974</b>	3,463,646	<b>1,351,000</b>	1,534,000
Charge/(reversed) to profit or loss included in cost of sales	<b>137,056</b>	891,216	<b>(162,087)</b>	55,552
Used/amount written off	<b>(238,188)</b>	(261,655)	<b>(117,913)</b>	(238,552)
Currency translation differences	<b>43,269</b>	(34,233)	-	-
Balance at end of the year	<b>4,001,111</b>	4,058,974	<b>1,071,000</b>	1,351,000

	Group	
	2021 \$	2020 \$
The write-downs of inventories charged to profit or loss included in cost of sales (Note 4)	<b>137,056</b>	891,216
(Increase)/decrease in inventories of finished/trading goods	<b>(12,078,225)</b>	1,044,730
Purchase of inventories	<b>113,339,502</b>	74,403,407

Certain inventories are pledged as security for banking facilities as at 31 December 2021 and 31 December 2020 (see Note 23).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 17. Trade and other receivables

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
<i>Current:</i>				
<u>Trade receivables:</u>				
Non-related parties	<b>30,939,251</b>	23,975,113	<b>8,738,614</b>	7,268,617
Subsidiaries	-	-	<b>8,534,743</b>	6,788,260
Associated company	<b>160,059</b>	35,306	<b>155,757</b>	35,306
Related party	-	87,903	-	-
Less: allowance for impairment – non-related parties	<b>(522,572)</b>	(479,178)	<b>(36,805)</b>	(35,027)
Less: allowance for impairment – subsidiaries	-	-	<b>(1,585,000)</b>	(1,925,000)
Net trade receivables – subtotal	<b>30,576,738</b>	23,619,144	<b>15,807,309</b>	12,132,156
<u>Other receivables:</u>				
Loan to subsidiaries	-	-	<b>4,858,226</b>	4,522,716
Subsidiaries	-	-	<b>1,902,285</b>	1,711,750
Non-related parties	<b>561,837</b>	616,433	<b>54,745</b>	100,599
Less: allowance for impairment – subsidiaries	-	-	<b>(1,758,000)</b>	(2,215,000)
Net other receivables – subtotal	<b>561,837</b>	616,433	<b>5,057,256</b>	4,120,065
Total net trade and other receivables – current	<b>31,138,575</b>	24,235,577	<b>20,864,565</b>	16,252,221
<i>Non-current:</i>				
<u>Other receivables:</u>				
Loan to subsidiaries	-	-	<b>1,589,587</b>	1,824,630
Less: allowance for impairment	-	-	<b>(197,000)</b>	-
Total other receivables – non-current	-	-	<b>1,392,587</b>	1,824,630
Total trade and other receivables	<b>31,138,575</b>	24,235,577	<b>22,257,152</b>	18,076,851

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

The loans to subsidiaries are unsecured, bear interest at 1.8% – 3.6% (2020: 1.8% – 2.8%) per annum and are repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 17. Trade and other receivables (cont'd)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
Singapore Dollar	<b>5,849,518</b>	4,582,400	<b>6,910,826</b>	6,143,416
United States Dollar	<b>7,111,055</b>	5,162,150	<b>13,841,929</b>	11,016,915
Malaysia Ringgit	<b>3,042,540</b>	2,856,341	-	-
China Renminbi	<b>2,622,267</b>	2,909,156	-	-
Indonesia Rupiah	<b>2,171,391</b>	1,842,906	-	-
Sterling Pound	<b>3,961,754</b>	1,852,791	<b>1,274,217</b>	275,487
United Arab Emirates Dirham	<b>2,372,919</b>	1,226,723	-	-
Others	<b>4,025,131</b>	3,803,110	<b>230,180</b>	641,033
Total trade and other receivables	<b>31,138,575</b>	24,235,577	<b>22,257,152</b>	18,076,851

The expected credit losses (ECL) on the above trade receivables are based on the simplified approach to measuring the ECL which uses a lifetime ECL allowance approach for all trade receivables recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL including the impact of the Covid-19 pandemic. The allowance matrix is based on the historical observed default rates (over a period of 36 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Excluding specific provision as at reporting year ended 31 December 2021 of \$9,346 for receivables past due over 6 months, invoice aged less than 1 year, the ageing of the assets is as follows:

Group	Gross amount		Expected loss ratio		Loss allowance	
	2021 \$'000	2020 \$'000	2021 %	2020 %	2021 \$'000	2020 \$'000
Current	<b>26,081</b>	18,853	-	-	-	-
Past due less than 1 month	<b>2,939</b>	3,198	-	-	-	-
Past due 1 to 2 months	<b>1,005</b>	1,009	-	-	-	-
Past due 2 to 3 months	<b>438</b>	368	-	-	-	-
Past due 3 to 4 months	<b>70</b>	129	-	-	-	-
Past due 4 to 6 months	<b>52</b>	47	<b>21.1</b>	2.92	<b>11</b>	1
Past due over 6 months, invoice aged less than 1 year	<b>3</b>	40	-	59.18	-	24
Past due over 6 months, invoice aged over 1 year	<b>502</b>	454	<b>100</b>	100	<b>502</b>	454
Total	<b>31,090</b>	24,098			<b>513</b>	479

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 17. Trade and other receivables (cont'd)

No allowance matrix is deemed necessary for the Company. There are no collateral held as security and other credit enhancements for the trade receivables held by the Group and Company.

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period.

Other receivables are normally with no fixed terms and therefore there is no maturity. Related company other receivables are regarded as of low credit risk if they are guaranteed by the parent or a related party with the ability to settle the amount. Other receivables are regarded as of low credit risk if they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk. Any contractual payment which is more than 1 year past due is considered credit impaired.

(i) *Trade receivables that are neither past due nor impaired*

Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

The Group's and Company's non-related party trade receivables not past due include receivables amounting to \$25,921,000 (2020: \$18,730,000) and \$7,362,000 (2020: \$5,914,000) respectively.

(ii) *Trade receivables that are past due and/or impaired*

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

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Past due less than 1 month	<b>2,939</b>	3,198	<b>1,162</b>	1,130
Past due 1 to 2 months	<b>1,005</b>	1,009	<b>131</b>	122
Past due 2 to 3 months	<b>438</b>	368	<b>46</b>	54
Past due 3 to 4 months	<b>70</b>	129	<b>1</b>	13
Past due over 4 months	<b>44</b>	62	<b>-</b>	-
Total	<b>4,496</b>	4,766	<b>1,340</b>	1,319



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 17. Trade and other receivables (cont'd)

(ii) Trade receivables that are past due and/or impaired (cont'd)

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

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Gross amount	522	479	37	35
Less: allowance for impairment – ECL	(513)	(479)	(28)	(35)
Less: allowance for impairment – specific	(9)	-	(9)	-
Total	-	-	-	-
Movements in allowance for impairment during the year:				
Balance at beginning of year	479	567	35	27
Currency translation differences	5	(13)	-	-
Additions – individually impaired (Note 4)	100	69	9	13
Additions – collectively impaired (Note 4)	-	4	-	-
Bad debt written off	(22)	(30)	(7)	(2)
Bad debt recovered – Individually impaired	(22)	(118)	-	(3)
Bad debt recovered – Collectively impaired	(18)	-	-	-
Balance at end of year	522	479	37	35

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

	Company	
	2021 \$'000	2020 \$'000
Gross amount	3,540	4,140
Less: allowance for impairment	(3,540)	(4,140)
Total	-	-
Movements in allowance for impairment during the year:		
Balance at beginning of year	4,140	4,040
Additions – individually impaired	-	160
Bad debt recovered	(600)	(60)
Balance at end of year	3,540	4,140

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 17. Trade and other receivables (cont'd)

### (iii) Concentration of credit risk

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

	Group		Company	
	2021	2020	2021	2020
Number of debtors that represent: 5-10% of non-related party trade receivables	-	-	2	3

There is no concentration of credit risk with respect to trade receivables as there are a large number of customers.

### (iv) Credit risk exposure

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

By geographical areas	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Africa	-	3	-	3
America	233	61	23	61
ASEAN	15,424	13,694	8,501	7,017
Australia	2,524	1,392	29	39
Middle East	3,342	1,852	-	-
North Asia	3,485	3,821	31	38
South Asia	1,947	1,251	155	111
UK and Europe	3,984	1,901	-	-
Total non-related party trade receivables	<b>30,939</b>	23,975	<b>8,739</b>	7,269

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

**18. Financial assets at fair value through profit or loss**

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
At fair value:				
Listed equity securities – Singapore (Level 1) (Note 18A)	<b>550,000</b>	350,000	<b>550,000</b>	350,000
Forward foreign exchange contracts (Level 2) (Note 26)	<b>14,314</b>	4,338	-	-
Total financial assets at fair value through profit or loss	<b>564,314</b>	354,338	<b>550,000</b>	350,000

**18A. Listed equity securities**

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
Balance at beginning of year	<b>350,000</b>	222,500	<b>350,000</b>	222,500
Fair value gain on listed equity securities (Note 3)	<b>200,000</b>	127,500	<b>200,000</b>	127,500
Balance at end of year	<b>550,000</b>	350,000	<b>550,000</b>	350,000

**19. Other current assets**

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
Advance payments to suppliers	<b>3,609,694</b>	1,779,132	<b>1,550,904</b>	371,566
Deposits to secure services	<b>272,147</b>	211,113	<b>4,880</b>	8,540
Prepayments	<b>631,505</b>	525,869	<b>103,702</b>	106,075
Total other current assets	<b>4,515,346</b>	2,516,114	<b>1,659,486</b>	486,181

**20. Cash and bank balances**

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
Not restricted in use	<b>11,531,588</b>	16,216,839	<b>1,703,083</b>	2,042,637
Interest earning balances	<b>1,339,786</b>	5,542,046	-	-

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 20. Cash and bank balances (cont'd)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
Singapore Dollar	<b>1,503,808</b>	2,074,058	<b>1,144,866</b>	1,624,851
United States Dollar	<b>2,604,451</b>	3,610,742	<b>546,642</b>	360,590
Malaysia Ringgit	<b>1,828,833</b>	5,886,163	-	-
Indonesia Rupiah	<b>1,996,360</b>	2,062,524	-	-
China Renminbi	<b>625,157</b>	413,111	-	-
Sterling Pound	<b>184,003</b>	32,797	-	-
Others	<b>2,788,976</b>	2,137,444	<b>11,575</b>	57,196
Total cash and bank balances	<b>11,531,588</b>	16,216,839	<b>1,703,083</b>	2,042,637

Interest earning balances have an average maturity of two months (2020: one month) from the end of the reporting year with the following average interest rates:

	Group	
	2021	2020
United States Dollar	-	0.2%
Malaysia Ringgit	-	2.0%
Indonesia Rupiah	<b>3.1%</b>	5.2%
India Rupee	<b>4.9%</b>	6.2%

## 20A. Cash and cash equivalents in the statement of cash flows:

	Group	
	2021 \$	2020 \$
Cash and bank balances	<b>11,531,588</b>	16,216,839
Less: Bank overdraft	<b>(423,967)</b>	(303,047)
Cash and cash equivalents for statement of cash flows purposes at end of the year	<b>11,107,621</b>	15,913,792

## 20B. Reconciliation of liabilities arising from financing activities:

	2020 \$	Cash flows \$	Non-cash changes \$	2021 \$
Long term bank loans (a)	2,860,991	(933,701)	(10,623)	<b>1,916,667</b>
Bill payables (a)	9,056,639	6,686,405	100,648	<b>15,843,692</b>
Short term bank loans (a)	7,124,692	3,636,335	7,423	<b>10,768,450</b>
Lease liabilities (a) (b)	2,777,283	(548,591)	705,159	<b>2,933,851</b>
Total liabilities from financing activities	21,819,605	8,840,448	802,607	<b>31,462,660</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2021

**20. Cash and bank balances (cont'd)****20B. Reconciliation of liabilities arising from financing activities: (cont'd)**

	2019 \$	Cash flows \$	Non-cash changes \$	2020 \$
Long term bank loans (a)	1,305,316	1,554,332	1,343	2,860,991
Bill payables (a)	7,530,704	1,395,292	130,643	9,056,639
Short term bank loans (a)	9,593,147	(2,546,109)	77,654	7,124,692
Lease liabilities (a) (b)	2,854,959	(456,951)	379,275	2,777,283
Total liabilities from financing activities	<u>21,284,126</u>	<u>(53,436)</u>	588,915	<u>21,819,605</u>

Included in non-cash changes:

- (a) Foreign exchange movements
- (b) Interest expenses, additions and modification (Note 25)

**21. Share capital**

	<b>Group and Company</b>	
	<b>Number of shares issued</b>	<b>Share capital \$</b>
Ordinary shares of no par value:		
Balance at 1 January 2020, 31 December 2020 and 31 December 2021	<u>133,300,000</u>	<u>15,892,028</u>

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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 22. Other reserves

	Group	
	2021 \$	2020 \$
Currency translation reserve	<u>(4,717,992)</u>	<u>(4,183,679)</u>

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	
	2021 \$	2020 \$
Balance at beginning of year	<u>(4,183,679)</u>	(3,852,217)
Net currency translation differences of financial statements of foreign subsidiaries	<u>(534,313)</u>	(331,462)
Balance at end of year	<u>(4,717,992)</u>	<u>(4,183,679)</u>

## 23. Borrowings

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
<i>Current:</i>				
Bank overdraft (unsecured)	<b>423,967</b>	303,047	-	-
Bill payables (unsecured)	<b>15,372,360</b>	8,527,988	<b>11,689,505</b>	5,327,551
Bill payables (secured)	<b>471,332</b>	528,651	-	-
Short term bank loans (unsecured)	<b>8,428,405</b>	6,186,891	<b>7,528,405</b>	5,084,491
Short term bank loans (secured)	<b>2,340,045</b>	937,801	-	-
Long term bank loans (unsecured)	<b>500,000</b>	125,000	<b>500,000</b>	125,000
Long term bank loans (secured)	-	180,837	-	-
Current, total	<u><b>27,536,109</b></u>	<u>16,790,215</u>	<u><b>19,717,910</b></u>	<u>10,537,042</u>
<i>Non-current:</i>				
Long term bank loans (unsecured)	<b>1,416,667</b>	1,875,000	<b>1,416,667</b>	1,875,000
Long term bank loans (secured)	-	680,154	-	-
Non-current, total	<u><b>1,416,667</b></u>	<u>2,555,154</u>	<u><b>1,416,667</b></u>	<u>1,875,000</u>
Total borrowings	<u><b>28,952,776</b></u>	<u>19,345,369</u>	<u><b>21,134,577</b></u>	<u>12,412,042</u>

The secured long term bank loans as at 31 December 2020 are secured by way of mortgage over industrial land at Seri Alam Industrial Park, Sungai Kapar, Indah, Klang, Selangor.

The secured bill payables and short term bank loans as at 31 December 2021 and 31 December 2020 are collateralized on fixed and floating charges over the present and future assets and undertaking of certain subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 23. Borrowings (cont'd)

(a) Maturity of borrowings

The bill payables and short term bank loans have an average maturity of 2 months and 1 month respectively (2020: 2 months and 1 month) 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 (2020: 5 years).

(b) Currency of borrowings

Borrowings are denominated in the following currencies:

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
Singapore Dollar	<b>8,223,158</b>	6,338,773	<b>7,323,158</b>	5,438,773
United States Dollar	<b>13,219,461</b>	7,684,875	<b>11,569,020</b>	5,980,238
Malaysia Ringgit	-	860,991	-	-
China Renminbi	<b>2,164,084</b>	2,311,280	-	-
Sterling Pound	<b>3,684,420</b>	1,022,309	<b>1,550,740</b>	450,650
Others	<b>1,661,653</b>	1,127,141	<b>691,659</b>	542,381
Total borrowings	<b>28,952,776</b>	19,345,369	<b>21,134,577</b>	12,412,042

(c) Interest rate

All borrowings for the Group and Company are at floating interest rates except for a long term bank loan (unsecured) of \$1,916,667 (2020: \$2,000,000) at fixed rate of 1.75%.

The weighted average effective interest rates of borrowings at the reporting date are as follows:

Group

	2021			2020		
	SGD	USD	Others	SGD	USD	Others
Bill payables	<b>1.6%</b>	<b>1.6%</b>	<b>3.9%</b>	1.6%	1.8%	4.3%
Short term bank loans	<b>1.8%</b>	<b>1.4%</b>	<b>2.1%</b>	1.7%	1.5%	2.9%
Long term bank loans	<b>1.8%</b>	-	-	1.8%	-	3.2%

Company

	2021			2020		
	SGD	USD	Others	SGD	USD	Others
Bill payables	<b>1.6%</b>	<b>1.5%</b>	<b>1.1%</b>	1.6%	1.5%	1.0%
Short term bank loans	<b>1.7%</b>	<b>1.4%</b>	<b>1.5%</b>	1.6%	1.5%	1.5%
Long term bank loans	<b>1.8%</b>	-	-	1.8%	-	-

(d) Carrying amounts and fair values

The fair value (Level 2) of bank borrowings is a reasonable approximation of the carrying amount as they are floating rate instruments that are frequently re-priced to market interest rates.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 24. Trade and other payables

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
<u>Trade payables:</u>				
Non-related parties	<b>8,328,657</b>	6,794,017	<b>3,546,554</b>	2,457,593
Associated company	-	49,439	-	1,199
Subsidiaries	-	-	<b>920,273</b>	322,306
Trade payables – subtotal	<b>8,328,657</b>	6,843,456	<b>4,466,827</b>	2,781,098
<u>Other payables:</u>				
Associated company	<b>4,098</b>	2,798	<b>1,240</b>	-
Subsidiaries	-	-	<b>95,973</b>	40,738
Loan from subsidiary	-	-	<b>1,485,770</b>	396,690
Advance payments from customers	<b>405,827</b>	204,110	<b>3,210</b>	-
Advance payments from subsidiary	-	-	<b>466,281</b>	667,072
Accrued liabilities	<b>6,371,360</b>	3,873,836	<b>3,269,178</b>	1,501,040
Deferred income	-	173,712	-	143,458
Other payables	<b>2,896,270</b>	2,434,304	<b>918,768</b>	948,098
Other payables – subtotal	<b>9,677,555</b>	6,688,760	<b>6,240,420</b>	3,697,096
Total trade and other payables	<b>18,006,212</b>	13,532,216	<b>10,707,247</b>	6,478,194

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

The loans from subsidiary are unsecured, bear interest at 3.1% (2020: 2.4%) per annum and are repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2021 \$	2020 \$	2021 \$	2020 \$
Singapore Dollar	<b>5,671,914</b>	3,803,030	<b>4,713,900</b>	3,152,851
United States Dollar	<b>6,116,280</b>	4,996,242	<b>5,197,669</b>	3,109,567
China Renminbi	<b>586,433</b>	689,081	-	-
Sterling Pound	<b>2,136,167</b>	1,126,294	<b>193,290</b>	73,302
Malaysia Ringgit	<b>430,446</b>	771,831	-	-
Others	<b>3,064,972</b>	2,145,738	<b>602,388</b>	142,474
Total trade and other payables	<b>18,006,212</b>	13,532,216	<b>10,707,247</b>	6,478,194



**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2021

**25. Lease liabilities**

Lease liabilities are presented in the statement of financial position as follows:

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Lease liabilities, current	<b>355,321</b>	214,651	<b>14,306</b>	13,958
Lease liabilities, non-current	<b>2,578,530</b>	2,562,632	<b>1,086,409</b>	1,128,956
	<b>2,933,851</b>	2,777,283	<b>1,100,715</b>	1,142,914

Movements of lease liabilities for the reporting year are as follows:

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Balance at beginning of year	<b>2,777,283</b>	2,854,959	<b>1,142,914</b>	1,156,193
Currency translation differences	<b>13,435</b>	1,726	-	-
Additions	<b>580,765</b>	235,739	-	-
Accretion of interest (Note 5)	<b>147,645</b>	141,810	<b>55,121</b>	57,214
Lease payments	<b>(548,591)</b>	(456,951)	<b>(68,730)</b>	(70,493)
Modification	<b>(36,686)</b>	-	<b>(28,590)</b>	-
Balance at end of year	<b>2,933,851</b>	2,777,283	<b>1,100,715</b>	1,142,914

The lease liability above does not include the short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liability and the right-of-use assets. The right-of-use assets are disclosed in Note 11.

Only variable lease payments that depend on an index or a rate; payments that vary to reflect changes in market rental rates are included in the measurement of the lease liability. Such variable amounts that are unpaid at the commencement date are included in the measurement of lease liability. Variable lease payments would also include extension options and termination options; residual value guarantees; and leases not yet commenced to which the lessee is committed. The variable lease payments based on revenue are recognised in profit or loss in the year in which the condition that triggers those payments occurs.

# NOTES TO THE FINANCIAL STATEMENTS

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## 25. Lease liabilities (cont'd)

A summary of the maturity analysis of lease liabilities that shows the remaining contractual maturities is as follows:

<u>Group</u>	<b>Minimum payments</b>	<b>Finance charges</b>	<b>Present value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>2021</u>			
Minimum lease payments payable:			
Not later than one year	<b>488,440</b>	<b>(133,119)</b>	<b>355,321</b>
Later than one year and not later than five years	<b>964,098</b>	<b>(435,872)</b>	<b>528,226</b>
Later than five years	<b>3,739,965</b>	<b>(1,689,661)</b>	<b>2,050,304</b>
Total	<b>5,192,503</b>	<b>(2,258,652)</b>	<b>2,933,851</b>
	<b>Minimum payments</b>	<b>Finance charges</b>	<b>Present value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>2020</u>			
Minimum lease payments payable:			
Not later than one year	349,136	(134,485)	214,651
Later than one year and not later than five years	883,531	(459,268)	424,263
Later than five years	3,976,907	(1,838,538)	2,138,369
Total	5,209,574	(2,432,291)	2,777,283
	<b>Minimum payments</b>	<b>Finance charges</b>	<b>Present value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>Company</u>			
<u>2021</u>			
Minimum lease payments payable:			
Not later than one year	<b>68,730</b>	<b>(54,424)</b>	<b>14,306</b>
Later than one year and not later than five years	<b>274,919</b>	<b>(209,995)</b>	<b>64,924</b>
Later than five years	<b>1,855,708</b>	<b>(834,223)</b>	<b>1,021,485</b>
Total	<b>2,199,357</b>	<b>(1,098,642)</b>	<b>1,100,715</b>
	<b>Minimum payments</b>	<b>Finance charges</b>	<b>Present value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>2020</u>			
Minimum lease payments payable:			
Not later than one year	70,493	(56,535)	13,958
Later than one year and not later than five years	281,973	(218,624)	63,349
Later than five years	1,973,812	(908,205)	1,065,607
Total	2,326,278	(1,183,364)	1,142,914

Total cash outflows for leases for the year ended 31 December 2021 and 31 December 2020 are shown in the statement of cash flows.

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## 25. Lease liabilities (cont'd)

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

There were no future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities above.

At reporting year date there were no commitments on leases which had not yet commenced.

Apart from the disclosures made in other notes to the financial statements, amounts relating to leases include the following:

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Expense relating to short-term and leases of low-value assets included in other expenses	<b>166,454</b>	174,929	<b>336,360</b>	336,360

The fair value (Level 2) is a reasonable approximation of the carrying amount. The fair value of the finance leases was estimated by discounting the future cash flows payable under the terms of the finance leases using the year-end interest rate ranging between 3.0% to 10.0% applicable to similar finance leases (Level 3).

## 26. Financial assets/(liabilities) at fair value through profit or loss

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
<u>Forward foreign exchange contracts</u>				
Balance at beginning of year	<b>(162,173)</b>	(45,827)	<b>(12,352)</b>	-
Realisation of forward contracts	<b>165,814</b>	45,898	<b>12,352</b>	-
Currency translation differences	<b>(3,408)</b>	(2,942)	-	-
Fair value loss (Note 4)	<b>(35,397)</b>	(163,593)	<b>(8,238)</b>	(12,352)
Fair value gains (Note 3)	<b>14,486</b>	4,291	-	-
Balance at end of year	<b>(20,678)</b>	(162,173)	<b>(8,238)</b>	(12,352)
Presented in statement of financial position as:				
Financial assets at FVTPL (Note 18)	<b>14,314</b>	4,338	-	-
Financial liabilities at FVTPL	<b>(34,992)</b>	(166,511)	<b>(8,238)</b>	(12,352)
Net	<b>(20,678)</b>	(162,173)	<b>(8,238)</b>	(12,352)

Forward foreign exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates on expected sales and purchases denominated in United States Dollar ("USD"), Euro ("Euro") or Japanese Yen ("JPY").

# NOTES TO THE FINANCIAL STATEMENTS

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## 26. Financial assets/(liabilities) at fair value through profit or loss (cont'd)

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	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
<b>Group</b>						
Sell Euro	-	161,946	-	1,934	-	-
Purchase Euro	<b>574,440</b>	97,423	-	570	<b>3,870</b>	-
Purchase JPY	-	211,580	-	1,834	-	-
Sell USD	<b>83,885</b>	-	<b>489</b>	-	-	-
Purchase USD	<b>5,863,913</b>	5,539,478	<b>13,825</b>	-	<b>31,122</b>	166,511
	<b>6,522,238</b>	6,010,427	<b>14,314</b>	4,338	<b>34,992</b>	166,511
<b>Company</b>						
Purchase USD	<b>627,169</b>	507,827	-	-	<b>8,238</b>	12,352

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 2021, the settlement date on forward foreign exchange contracts for the Group and the Company ranges from 1 to 5 months (2020: 1 to 6 months) and 1 to 3 months (2020: 1 to 2 months) respectively.

## 27. Financial instruments: information on financial risks

### 27A. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Management sets the objectives and underlying principles of financial risk management for the Group. This includes establishing policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies in accordance with the objectives and underlying principles approved by the board of directors.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

**NOTES TO THE FINANCIAL STATEMENTS**

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**27. Financial instruments: information on financial risks (cont'd)****27B. Categories of financial assets and liabilities**

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<u>Financial assets</u>				
Financial assets at amortised cost	<b>42,670</b>	40,452	<b>23,960</b>	20,119
Financial assets at FVTPL	<b>564</b>	354	<b>550</b>	350
At end of the year	<b>43,234</b>	40,806	<b>24,510</b>	20,469
<u>Financial liabilities</u>				
Financial liabilities at amortised cost	<b>49,487</b>	35,277	<b>32,473</b>	19,223
Financial liabilities at FVTPL	<b>35</b>	167	<b>8</b>	12
At end of the year	<b>49,522</b>	35,444	<b>32,481</b>	19,235

Further quantitative disclosures are included throughout these financial statements.

**27C. Foreign currency risk**

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to United States Dollar ("USD"), Sterling Pound ("GBP") and Malaysia Ringgit ("RM").

# NOTES TO THE FINANCIAL STATEMENTS

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

### 27C. Foreign currency risk (cont'd)

The Group's currency exposure is as follows:

Group	Exposure in					Total \$'000
	SGD \$'000	USD \$'000	GBP \$'000	RM \$'000	Others \$'000	
<u>2021</u>						
<u>Financial assets</u>						
Cash and bank balances	1,504	2,604	184	1,829	5,411	11,532
Trade and other receivables	8,403	21,852	5,557	3,032	13,761	52,605
Subtotal	9,907	24,456	5,741	4,861	19,172	64,137
<u>Financial liabilities</u>						
Trade and other payables	8,180	20,508	3,748	420	5,688	38,544
Borrowings	8,223	13,220	3,684	-	3,826	28,953
Lease liabilities	2,207	-	157	-	570	2,934
Subtotal	18,610	33,728	7,589	420	10,084	70,431
Net financial (liabilities)/assets	(8,703)	(9,272)	(1,848)	4,441	9,088	(6,294)
Less: Net financial liabilities/ (assets) denominated in respective entities' functional currencies	7,950	409	1,141	(4,441)	(5,097)	(38)
Add: Currency forwards	-	5,780	-	-	574	6,354
Net currency exposure	(753)	(3,083)	(707)	-	4,565	22
<u>2020</u>						
<u>Financial assets</u>						
Cash and bank balances	2,074	3,611	33	5,886	4,613	16,217
Trade and other receivables	7,103	16,656	2,239	2,864	12,327	41,189
Subtotal	9,177	20,267	2,272	8,750	16,940	57,406
<u>Financial liabilities</u>						
Trade and other payables	6,115	16,326	1,486	770	4,931	29,628
Borrowings	6,339	7,685	1,022	861	3,438	19,345
Lease liabilities	2,291	-	209	37	240	2,777
Subtotal	14,745	24,011	2,717	1,668	8,609	51,750
Net financial (liabilities)/assets	(5,568)	(3,744)	(445)	7,082	8,331	5,656
Less: Net financial liabilities/ (assets) denominated in respective entities' functional currencies	5,239	214	159	(7,082)	(4,106)	(5,576)
Add: Currency forwards	-	5,539	-	-	147	5,686
Net currency exposure	(329)	2,009	(286)	-	4,372	5,766

## NOTES TO THE FINANCIAL STATEMENTS

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

## 27C. Foreign currency risk (cont'd)

The Company has certain investments in foreign operations, whose net assets are exposed to currency translation risk. The Company does not hedge such currency translation risk.

The Company's currency exposure is as follows:

<u>Company</u>	<b>USD</b>	<b>Exposure in</b>	<b>Total</b>
<u>2021</u>	<b>\$'000</b>	<b>Others</b>	<b>\$'000</b>
<u>Financial assets</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cash and bank balances	547	12	559
Trade and other receivables	15,729	3,124	18,853
Subtotal	16,276	3,136	19,412
<u>Financial liabilities</u>			
Trade and other payables	4,732	795	5,527
Borrowings	11,569	2,243	13,812
Subtotal	16,301	3,038	19,339
Net financial assets/(liabilities)	(25)	98	73
Add: Currency forwards	627	-	627
Net currency exposure	602	98	700
<u>Company</u>	<b>USD</b>	<b>Exposure in</b>	<b>Total</b>
<u>2020</u>	<b>\$'000</b>	<b>Others</b>	<b>\$'000</b>
<u>Financial assets</u>			
Cash and bank balances	361	57	418
Trade and other receivables	13,904	2,186	16,090
Subtotal	14,265	2,243	16,508
<u>Financial liabilities</u>			
Trade and other payables	2,442	217	2,659
Borrowings	5,980	993	6,973
Subtotal	8,422	1,210	9,632
Net financial assets	5,843	1,033	6,876
Add: Currency forwards	508	-	508
Net currency exposure	6,351	1,033	7,384

# NOTES TO THE FINANCIAL STATEMENTS

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

### 27C. Foreign currency risk (cont'd)

The following table demonstrates the sensitivity of the Group's and Company's net profit after tax and equity to changes in foreign currency movement (assuming all other variables are consistent):

	2021		2020	
	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
<u>Group</u>				
USD: strengthen by 1%	11	1	91	71
USD: weaken by 1%	(11)	(1)	(91)	(71)
<u>Company</u>				
USD: strengthen by 1%	5	5	53	53
USD: weaken by 1%	(5)	(5)	(53)	(53)

The above table shows sensitivity to the hypothetical percentage variations in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out without taking into consideration hedged transactions.

### 27D. Equity price risk

The Group is exposed to equity security market risk because of the investments held by the Group which are classified as financial assets at fair value through profit or loss. These investments are listed on the Stock Exchange of Singapore.

Such investments are exposed to both currency risk and market price risk arising from uncertainties about future values of the equity shares.

The effect on post tax profit is not significant.



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**27. Financial instruments: information on financial risks (cont'd)****27E. 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 floating rate debt instruments are with interest rates that are re-set at regular intervals. The interest rates are disclosed in the respective notes.

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):

	2021		2020	
	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
<u>Group</u>				
Increased by 1-percentage point	(229)	(222)	(140)	(136)
Decreased by 1-percentage point	229	222	140	136
<u>Company</u>				
Increased by 1-percentage point	(160)	(160)	(86)	(86)
Decreased by 1-percentage point	160	160	86	86

**27F. Credit risk on financial assets**

Financial assets are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (ECL) on financial assets, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credit limits are subject to the same review process.

Note 20 discloses the maturity of the cash and cash equivalents balances. Bank deposits that are neither past due nor impaired are mainly deposits with reputable banks. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position except for corporate guarantees provided to banks (Note 28).

# NOTES TO THE FINANCIAL STATEMENTS

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

### 27G. Liquidity risk – financial liabilities maturity analysis

The following table analyses the Group's and the Company's non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

<u>Group</u>	Not later than one year \$'000	Later than one year and not later than five years \$'000	Later than five years \$'000	Total \$'000
As at 31 December 2021				
Trade and other payables	17,600	-	-	17,600
Gross borrowing commitments	27,643	1,453	-	29,096
Gross lease liabilities	489	964	3,740	5,193
	<u>45,732</u>	<u>2,417</u>	<u>3,740</u>	<u>51,889</u>
As at 31 December 2020				
Trade and other payables	13,154	-	-	13,154
Gross borrowing commitments	16,917	2,662	-	19,579
Gross lease liabilities	349	884	3,977	5,210
	<u>30,420</u>	<u>3,546</u>	<u>3,977</u>	<u>37,943</u>
<u>Company</u>	Not later than one year \$'000	Later than one year and not later than five years \$'000	Later than five years \$'000	Total \$'000
As at 31 December 2021				
Trade and other payables	10,238	-	-	10,238
Gross borrowing commitments	19,793	1,453	-	21,246
Gross lease liabilities	69	275	1,855	2,199
	<u>30,100</u>	<u>1,728</u>	<u>1,855</u>	<u>33,683</u>
As at 31 December 2020				
Trade and other payables	5,668	-	-	5,668
Gross borrowing commitments	10,593	1,941	-	12,534
Gross lease liabilities	70	282	1,974	2,326
	<u>16,331</u>	<u>2,223</u>	<u>1,974</u>	<u>20,528</u>

Liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 60 days (2020: 60 days). The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

**NOTES TO THE FINANCIAL STATEMENTS**

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**27. Financial instruments: information on financial risks (cont'd)****27G. Liquidity risk – financial liabilities maturity analysis (cont'd)**

The following table analyses the Group's derivative financial instruments for which contractual maturities are essential for understanding of the timing of cash flows by remaining contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Group	
	2021 \$'000	2020 \$'000
Gross settled currency forwards		
– Receipts	<b>6,523</b>	6,013
– Payments	<b>(6,520)</b>	(6,257)

Financial guarantee contracts – At the end of the reporting year, no claims on the financial guarantee are expected. All the corporate guarantees provided are disclosed in Note 28. The underlying bank facilities mature within 1 year (2020: 4 years).

The Group and Company manage the liquidity risk by maintaining sufficient cash balances and the availability of funding through an adequate amount of committed credit facilities.

**27H. Capital risk**

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

In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or reduce borrowings.

Under loans granted by a bank to a subsidiary, the Company is required by bank to observe certain financial covenants such as a minimum consolidated tangible networth of \$30 million and a maximum consolidated leverage ratio of 1.0. The Company monitors its capital regularly to ensure these covenants are not breached. In addition, the Group seeks to maintain maximum gearing ratio of 0.6 internally to minimise financial risks.

The bank defines leverage ratio as total bank borrowings divided by total tangible networth and shareholders' networth as aggregate of paid up capital and revenue reserves.

	Group		Company	
	2021	2020	2021	2020
Total borrowings (\$'000)	<b>28,953</b>	19,345	<b>21,135</b>	12,412
Total tangible networth (\$'000)	<b>57,258</b>	52,431	<b>23,728</b>	22,245
Leverage ratio	<b>0.51</b>	0.37	<b>0.89</b>	0.56

The Group and the Company are in compliance with all externally imposed capital requirements for the reporting years ended 31 December 2021 and 31 December 2020.

# NOTES TO THE FINANCIAL STATEMENTS

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

### 27I. Fair value measurements recognised in the statement of financial position

The fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The quantitative disclosures for the fair value measurements are disclosed below:

Group	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 31 December 2021				
<u>Financial assets at fair value through profit or loss:</u>				
Forward foreign currency contracts	-	14	-	14
Quoted equity shares in corporations	550	-	-	550
Total	550	14	-	564
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	-	35	-	35
Total	-	35	-	35
As at 31 December 2020				
<u>Financial assets at fair value through profit or loss:</u>				
Forward foreign currency contracts	-	4	-	4
Quoted equity shares in corporations	350	-	-	350
Total	350	4	-	354
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	-	167	-	167
Total	-	167	-	167
As at 31 December 2021				
<u>Financial assets at fair value through profit or loss:</u>				
Quoted equity shares in corporations	550	-	-	550
Total	550	-	-	550
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	-	8	-	8
Total	-	8	-	8
As at 31 December 2020				
<u>Financial assets at fair value through profit or loss:</u>				
Quoted equity shares in corporations	350	-	-	350
Total	350	-	-	350
<u>Financial liabilities at fair value through profit or loss:</u>				
Forward foreign currency contracts	-	12	-	12
Total	-	12	-	12

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

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**28. Contingent liabilities**

The Company has provided an undertaking to provide continuing financial support to a subsidiary, MG Chemicals (Australia) Pty Ltd to enable the subsidiary to meet their obligations as and when they fall due. As at 31 December 2021, the net liabilities of MG Chemicals (Australia) Pty Ltd amounted to \$2,725,000 (2020: \$3,032,000).

The Company has also provided corporate guarantees to banks for subsidiaries' loans. The corporate guarantees are as follows:

	<b>Company</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Corporate guarantees provided to banks on subsidiaries' loans payable	<b>7,818</b>	6,933

**29. Capital commitments**

At the reporting date the capital commitments are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>\$</b>	\$	<b>\$</b>	\$
Purchase of plant and equipment	<b>742,088</b>	3,110,860	<b>129,500</b>	28,500

**30. Related party relationships and transactions****30A. Related companies and related parties**

SFRS(I) 1-24 defines a related party as 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 30. Related party relationships and transactions (cont'd)

### 30A. Related companies and related parties (cont'd)

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, significant transactions that took place between the Group and related parties during the reporting year:

	Group	
	2021	2020
	\$	\$
<u>Associated companies</u>		
Sale of inventories	<b>519,958</b>	427,039
Purchases of inventories	<b>(71,683)</b>	(56,836)
	<b>519,958</b>	427,039
<u>Related parties</u>		
Sale of inventories	-	87,634
Purchases of inventories	<b>(261,972)</b>	-
	<b>(261,972)</b>	-

The above related parties transactions are with Chori Co., Ltd, a controlling shareholder of the Company, and its related companies.

### 30B. Compensation of directors and key management

	Group		Company	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries and other short-term employee benefits of key management	<b>5,807,264</b>	4,912,644	<b>3,428,929</b>	2,793,561
Remuneration of directors of the Company	<b>2,184,608</b>	1,418,190	<b>2,184,608</b>	1,418,190
Fees to directors of the Company	<b>166,000</b>	162,667	<b>166,000</b>	162,667

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.

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2021

**31. Financial information by operating segments**

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by SFRS (I) 8 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the Group.

Management has determined the operating segments based on the reports reviewed by the Executive Committee (“Exco”) that are used to make strategic decisions. The Exco comprises the Managing Director, the Chief Financial Officer and the Group Finance Manager.

The Exco considers the business from geographic segment perspective. The Group operates in six main geographical segments (Singapore, Malaysia, Indonesia, United Kingdom, China and Vietnam) by location of revenue and assets. Other geographical areas mainly comprise the Philippines, Middle East, India and Australia, none of which constitute a separately, reportable segment. All geographic locations are engaged in the trading in chemical and chemical-related products. In addition, the segment in Singapore also derives revenue from blending.

As the revenue and assets for blending becomes a significant portion of the Singapore segment, the Exco considers it beneficial to review it as a separate business segment from the distribution activities of the Group.

The Exco assesses the performance of the operating segments based on net profit before tax.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

There are no customers with revenue transactions of over 10% of the Group revenue.

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



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 31. Financial information by operating segments (cont'd)

### Profit or loss and reconciliations for geographical segments

	Singapore \$'000	Malaysia \$'000	Indonesia \$'000	United Kingdom \$'000	China \$'000	Vietnam \$'000	Others \$'000	Unallocated \$'000	Group \$'000
<b>Financial year ended 31 December 2021</b>									
<b>Sales</b>									
Total sales by segment	62,674	14,436	8,719	24,802	15,877	3,724	25,401	-	155,633
Inter-segment sales	(10,162)	(538)	(100)	(2,512)	(3,179)	(74)	(166)	-	(16,731)
	<u>52,512</u>	<u>13,898</u>	<u>8,619</u>	<u>22,290</u>	<u>12,698</u>	<u>3,650</u>	<u>25,235</u>	<u>-</u>	<u>138,902</u>
<b>Segment result</b>	2,650	2,061	441	729	506	411	1,488	-	8,286
Interest income - banks								89	89
Finance costs								(804)	(804)
Share of profit of associated companies								1,615	1,615
Profit before income tax								900	9,186
Income tax expense								(1,196)	(1,196)
<b>Net profit</b>	<u>2,650</u>	<u>2,061</u>	<u>441</u>	<u>729</u>	<u>506</u>	<u>411</u>	<u>1,488</u>	<u>(296)</u>	<u>7,990</u>
<b>Other segment items</b>									
Capital expenditure	195	3,156	54	-	1	-	17	-	3,423
Depreciation	651	114	79	97	83	40	150	-	1,214

### Assets and liabilities and reconciliations for geographical segments

	Singapore \$'000	Malaysia \$'000	Indonesia \$'000	United Kingdom \$'000	China \$'000	Vietnam \$'000	Others \$'000	Unallocated \$'000	Group \$'000
<b>Financial year ended 31 December 2021</b>									
<b>Segment assets</b>	42,892	17,381	6,184	9,568	5,291	3,771	15,892	-	100,979
Associated companies								7,974	7,974
Deferred tax assets								634	634
Interest earning cash balances								1,339	1,339
<b>Consolidated total assets</b>	<u>42,892</u>	<u>17,381</u>	<u>6,184</u>	<u>9,568</u>	<u>5,291</u>	<u>3,771</u>	<u>15,892</u>	<u>9,947</u>	<u>110,926</u>
<b>Segment liabilities</b>	(11,172)	(549)	(906)	(4,021)	(1,250)	(221)	(2,856)	-	(20,975)
Borrowings								(28,953)	(28,953)
Current income tax liabilities								(610)	(610)
<b>Consolidated total liabilities</b>	<u>(11,172)</u>	<u>(549)</u>	<u>(906)</u>	<u>(4,021)</u>	<u>(1,250)</u>	<u>(221)</u>	<u>(2,856)</u>	<u>(29,563)</u>	<u>(50,538)</u>



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 31. Financial information by operating segments (cont'd)

## Profit or loss and reconciliations for geographical segments

	Singapore \$'000	Malaysia \$'000	Indonesia \$'000	United Kingdom \$'000	China \$'000	Vietnam \$'000	Others \$'000	Unallocated \$'000	Group \$'000
<b>Financial year ended 31 December 2020</b>									
<b>Sales</b>									
Total sales by segment	46,899	12,372	8,188	15,340	12,627	5,363	15,575	-	116,364
Inter-segment sales	(5,340)	(419)	(67)	(1,984)	(3,192)	(54)	(69)	-	(11,125)
	<u>41,559</u>	<u>11,953</u>	<u>8,121</u>	<u>13,356</u>	<u>9,435</u>	<u>5,309</u>	<u>15,506</u>	<u>-</u>	<u>105,239</u>
<b>Segment result</b>									
Interest income – banks	2,094	1,080	108	201	321	609	466	-	4,879
Finance costs								191	191
								(726)	(726)
Share of profit of associated companies								1,594	1,594
Profit before income tax								1,059	5,938
Income tax expense								(680)	(680)
<b>Net profit</b>	<u>2,094</u>	<u>1,080</u>	<u>108</u>	<u>201</u>	<u>321</u>	<u>609</u>	<u>466</u>	<u>379</u>	<u>5,258</u>
<b>Other segment items</b>									
Capital expenditure	301	2,825	15	17	3	2	83	-	3,246
Depreciation	663	158	115	100	87	43	76	-	1,242

## Assets and liabilities and reconciliations for geographical segments

	Singapore \$'000	Malaysia \$'000	Indonesia \$'000	United Kingdom \$'000	China \$'000	Vietnam \$'000	Others \$'000	Unallocated \$'000	Group \$'000
<b>Financial year ended 31 December 2020</b>									
<b>Segment assets</b>									
Associated companies	31,912	14,606	5,482	6,418	5,308	3,364	10,506	-	77,596
Deferred tax assets								7,613	7,613
Interest earning cash balances								561	561
								5,542	5,542
<b>Consolidated total assets</b>	<u>31,912</u>	<u>14,606</u>	<u>5,482</u>	<u>6,418</u>	<u>5,308</u>	<u>3,364</u>	<u>10,506</u>	<u>13,716</u>	<u>91,312</u>
<b>Segment liabilities</b>									
Borrowings	(8,367)	(1,153)	(815)	(3,812)	(809)	(347)	(1,173)	-	(16,476)
Current income tax liabilities								(19,345)	(19,345)
								(203)	(203)
<b>Consolidated total liabilities</b>	<u>(8,367)</u>	<u>(1,153)</u>	<u>(815)</u>	<u>(3,812)</u>	<u>(809)</u>	<u>(347)</u>	<u>(1,173)</u>	<u>(19,548)</u>	<u>(36,024)</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 31. Financial information by operating segments (cont'd)

### Profit or loss and reconciliations for business segments

	Distribution \$'000	Manufacturing \$'000	Unallocated \$'000	Group \$'000
<b>Financial year ended 31 December 2021</b>				
<b>Sales</b>				
Total sales by segment	134,178	5,528	-	139,706
Inter-segment sales	(268)	(536)	-	(804)
	<u>133,910</u>	<u>4,992</u>	<u>-</u>	<u>138,902</u>
<b>Segment result</b>				
	8,051	235	-	8,286
Interest income – banks			89	89
Finance costs			(804)	(804)
Share of profit of associated companies			1,615	1,615
Profit before income tax			900	9,186
Income tax expense			(1,196)	(1,196)
<b>Net profit</b>	<u>8,051</u>	<u>235</u>	<u>(296)</u>	<u>7,990</u>
<b>Other segment items</b>				
Capital expenditure	3,349	74	-	3,423
Depreciation	921	293	-	1,214

### Assets and liabilities and reconciliations for business segments

	Distribution \$'000	Manufacturing \$'000	Unallocated \$'000	Group \$'000
<b>Financial year ended 31 December 2021</b>				
<b>Segment assets</b>				
Associated companies	93,815	7,164	-	100,979
Deferred tax assets			7,974	7,974
Interest earning cash balances			634	634
	<u>93,815</u>	<u>7,164</u>	<u>1,339</u>	<u>1,339</u>
<b>Consolidated total assets</b>	<u>93,815</u>	<u>7,164</u>	<u>9,947</u>	<u>110,926</u>
<b>Segment liabilities</b>				
	(18,941)	(2,034)	-	(20,975)
Borrowings			(28,953)	(28,953)
Current income tax liabilities			(610)	(610)
<b>Consolidated total liabilities</b>	<u>(18,941)</u>	<u>(2,034)</u>	<u>(29,563)</u>	<u>(50,538)</u>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 31. Financial information by operating segments (cont'd)

## Profit or loss and reconciliations for business segments

	Distribution \$'000	Manufacturing \$'000	Unallocated \$'000	Group \$'000
<b>Financial year ended 31 December 2020</b>				
<b>Sales</b>				
Total sales by segment	101,962	3,927	-	105,889
Inter-segment sales	(194)	(456)	-	(650)
	<u>101,768</u>	<u>3,471</u>	<u>-</u>	<u>105,239</u>
<b>Segment result</b>				
	4,366	513	-	4,879
Interest income – banks			191	191
Finance costs			(726)	(726)
Share of profit of associated companies			1,594	1,594
Profit before income tax			1,059	5,938
Income tax expense			(680)	(680)
<b>Net profit</b>	<u>4,366</u>	<u>513</u>	<u>379</u>	<u>5,258</u>
<b>Other segment items</b>				
Capital expenditure	3,221	25	-	3,246
Depreciation	943	299	-	1,242

## Assets and liabilities and reconciliations for business segments

	Distribution \$'000	Manufacturing \$'000	Unallocated \$'000	Group \$'000
<b>Financial year ended 31 December 2020</b>				
<b>Segment assets</b>				
	70,387	7,209	-	77,596
Associated companies			7,613	7,613
Deferred tax assets			561	561
Interest earning cash balances			5,542	5,542
<b>Consolidated total assets</b>	<u>70,387</u>	<u>7,209</u>	<u>13,716</u>	<u>91,312</u>
<b>Segment liabilities</b>				
	(14,684)	(1,792)	-	(16,476)
Borrowings			(19,345)	(19,345)
Current income tax liabilities			(203)	(203)
<b>Consolidated total liabilities</b>	<u>(14,684)</u>	<u>(1,792)</u>	<u>(19,548)</u>	<u>(36,024)</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

## 32. Items in the statement of profit or loss and other comprehensive income

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges:

	Group	
	2021 \$'000	2020 \$'000
Fees on audit services to independent auditors:		
– Company's independent auditor	120	110
– Other independent auditors	100	121
Total	<u>220</u>	<u>231</u>
Other fees to independent auditors:		
– Company's independent auditor	18	18
– Other independent auditors	5	19
Total	<u>23</u>	<u>37</u>

## 33. Changes and adoption of financial reporting standards

For the current reporting year, new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

SFRS (I) No.	Title
SFRS (I) 1-39; 7 and 9	Interest Rate Benchmark Reform – Amendments to The Conceptual Framework for Financial Reporting
SFRS (I) 16	Covid-19 Related Rent Concessions – Amendment to (effective from 30 June 2021)

**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2021

**34. New or amended standards in issue but not yet effective**

For the future reporting years, certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the entity's financial statements in the period of initial application.

<b>SFRS (I) No.</b>	<b>Title</b>	<b>Effective date for periods beginning on or after</b>
SFRS (I) 1-1	Presentation of Financial Statements – amendment relating to Classification of Liabilities as Current or Non-current	1 Jan 2023
SFRS (I) 1-8	Definition of Accounting Estimates – Amendments to	1 Jan 2023
SFRS(I) 1-12, SFRS(I) 1	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to	1 Jan 2023
SFRS (I) 1-16	Property, Plant and Equipment: Proceeds before Intended Use – Amendments to	1 Jan 2022
SFRS (I) 3	Definition of a Business – Reference to the Conceptual Framework – Amendments to	1 Jan 2022
SFRS (I) 9	Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities (Annual Improvement Project)	1 Jan 2022
Various	Amendments to SFRS (I) 1-1 and SFRS (I) Practice Statement 2: Disclosure of Accounting Policies	1 Jan 2023
Various	Annual Improvements to FRSs 2018-2020	1 Jan 2022
SFRS (I)10 and SFRS (I) 1-28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	Not fixed yet

# STATISTICS OF SHAREHOLDING

As at 11 March 2022

Number of Issued Shares	:	133,300,000
Class of Shares	:	Ordinary
Voting Rights	:	One vote per share
Number of Treasury Shares	:	Nil
Number of Subsidiary Holdings	:	Nil

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT AS AT 11 MARCH 2022

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	2	0.57	143	0.00
100 – 1,000	28	8.05	24,146	0.02
1,001 – 10,000	172	49.43	1,073,400	0.80
10,001 – 1,000,000	135	38.79	7,304,353	5.48
1,000,001 AND ABOVE	11	3.16	124,897,958	93.70
<b>TOTAL</b>	<b>348</b>	<b>100.00</b>	<b>133,300,000</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	39,995,870	30.00
2	CHEW CHOON TEE	38,055,516	28.55
3	RAFFLES NOMINEES (PTE) LIMITED	15,834,455	11.88
4	DB NOMINEES (SINGAPORE) PTE LTD	10,135,200	7.60
5	HONG LEONG FINANCE NOMINEES PTE LTD	9,000,000	6.75
6	HSBC (SINGAPORE) NOMINEES PTE LTD	2,577,000	1.93
7	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	2,500,000	1.88
8	CHONG SIEW LEE MICHELE (ZHANG SHULI MICHELE)	2,289,000	1.72
9	DBS NOMINEES PTE LTD	2,021,628	1.52
10	FUNG KOON YAU	1,428,000	1.07
11	YEO KAI HOE	1,061,289	0.80
12	OCBC NOMINEES SINGAPORE PTE LTD	512,000	0.38
13	LIAU BIN BIN	444,296	0.33
14	LEE SIEW TIONG	352,000	0.26
15	LIM AND TAN SECURITIES PTE LTD	300,000	0.23
16	CHAN KHAI LEONG	299,000	0.22
17	OCBC SECURITIES PRIVATE LTD	251,000	0.19
18	ONG AH INN	200,000	0.15
19	LIAU HUEY CHING OR KOH GUAT LAM	150,000	0.11
20	EDGAR EDUARD NORDMANN	142,000	0.11
<b>TOTAL</b>		<b>127,548,254</b>	<b>95.68</b>

# STATISTICS OF SHAREHOLDING

As at 11 March 2022

## SUBSTANTIAL SHAREHOLDERS AS AT 11 MARCH 2022

	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
CHEW CHOON TEE	47,055,516	35.30	444,296	0.33
TAN BOCK CHIA	25,435,083	19.08	-	-
CHORI CO. LTD	-	-	39,976,670	29.99
TORAY INDUSTRIES, INC	-	-	39,976,670	29.99

### Notes:

- 1) Chew Choon Tee is deemed to have an interest in the 444,296 shares held in the name of his spouse, Liao Bin Bin, by virtue of Section 7 of the Companies Act 1967.
- 2) 9,000,000 shares of Chew Choon Tee are held through nominees.
- 3) 25,435,083 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

15.22% of the Company issued paid-up capital is held in the hands of public. Accordingly, the Company had complied with Rule 723 of the Listing Manual Section B: Rules of Catalyst 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 convened and held by way of electronic means on Monday, 18 April 2022 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 2021 together with the Independent Auditor's Report thereon. **(Resolution 1)**
2. To declare a final tax-exempt dividend of 1.2 cent per share for the financial year ended 31 December 2021 (2020: final tax- exempt dividend of 1 cent per share). **(Resolution 2)**
3. To approve Directors' fees of S\$202,000 for the financial year ending 31 December 2022 (2021: S\$166,000). **(Resolution 3)**
4. To re-elect Mr Chew Choon Tee who is retiring pursuant to Regulation 117 of the Company's Constitution. **(Resolution 4)**

*Mr Chew Choon Tee, will upon re-election as a Director of the Company, continue to serve as the Managing Director and as a member of the Nominating Committee.*

*Key information on Mr Chew Choon Tee is found on page 18 of the Company's 2021 annual report.*

5. (a) To re-elect Mr Chan Kam Loon who is retiring pursuant to Regulation 117 of the Company's Constitution. **(Resolution 5)**

*Mr Chan Kam Loon, will upon re-election as a Director of the Company, continue to serve as an Independent Director, Chairman of the Audit Committee and as member of the Remuneration Committee and Nominating Committee. Mr Chan Kam Loon is considered independent for the purpose of Rule 704(7) of the Listing Manual of the Singapore Exchange Securities Trading Limited Section B: Rules of Catalist (the "Catalist Rules").*

*Key information on Mr Chan Kam Loon is found on page 20 of the Company's 2021 annual report.*

- (b) That for the purposes of Rule 406(3)(d)(iii) of the Catalist Rules, and subject to and contingent upon the passing of Resolution 5 and Resolution 7:- **(Resolution 6)**
  - (i) the continued appointment of Mr Chan Kam Loon as an Independent Director be and is hereby approved by the Shareholders of the Company; and
  - (ii) such approval shall continue in force until the earlier of the retirement or resignation of Mr Chan Kam Loon as a Director or the conclusion of the third Annual General Meeting of the Company following the passing of this Resolution.

*[See explanatory Note (i)]*

- (c) That for the purposes of Rule 406(3)(d)(iii) of the Catalist Rules, and subject to and contingent upon the passing of Resolution 5 and Resolution 6:- **(Resolution 7)**
  - (i) the continued appointment of Mr Chan Kam Loon as an Independent Director be and is hereby approved by the Shareholders of the Company excluding the Directors and the chief executive officer of the Company and their respective associates; and



# NOTICE OF ANNUAL GENERAL MEETING

- (ii) such approval shall continue in force until the earlier of the retirement or resignation of Mr Chan Kam Loon as a Director or the conclusion of the third Annual General Meeting of the Company following the passing of this Resolution.

*[See explanatory Note (i)]*

- 6. (a) That for the purposes of Rule 406(3)(d)(iii) of the Catalist Rules, and subject to and contingent upon the passing of Resolution 9:- **(Resolution 8)**

- (i) the continued appointment of Dr Tay Kin Bee as an Independent Director be and is hereby approved by the Shareholders of the Company; and
- (ii) such approval shall continue in force until the earlier of the retirement or resignation of Dr Tay Kin Bee as a Director or the conclusion of the third Annual General Meeting of the Company following the passing of this Resolution.

*[See Explanatory Note (ii)]*

- (b) That for the purposes of Rule 406(3)(d)(iii) of the Catalist Rules, and subject to and contingent upon the passing of Resolution 8: **(Resolution 9)**

- (i) the continued appointment of Dr Tay Kin Bee as an Independent Director be and is hereby approved by the Shareholders of the Company excluding the Directors and the chief executive officer of the Company and their respective associates; and
- (ii) such approval shall continue in force until the earlier of the retirement or resignation of Dr Tay Kin Bee as a Director or the conclusion of the third Annual General Meeting of the Company following the passing of this Resolution.

*[See Explanatory Note (ii)]*

*Key information on Dr Tay Kin Bee is found on page 21 of the Company's 2021 annual report.*

- 7. To re-appoint Messrs RSM Chio Lim LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 10)**

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without any modifications:-

- 8. Authority to allot and issue shares and convertible securities **(Resolution 11)**

- (a) "That pursuant to Section 161 of the Companies Act 1967, and Rule 806 of the Catalist Rules, authority be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:
  - (i) issue and allot shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise;
  - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued or other transferable rights to subscribe for or purchase Shares including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares;

# NOTICE OF ANNUAL GENERAL MEETING

- (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and
- (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided always that

- (i) the aggregate number of Shares to be issued pursuant to this resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 100% of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company, of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a *pro rata* basis to shareholders of the Company does not exceed 50% of the total number of issued shares excluding treasury shares 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 and subsidiary holdings at the time this resolution is passed, after adjusting for;

- a) new shares arising from the conversion or exercise of convertible securities, or
- b) new shares arising from exercising share options or vesting of share awards 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, and
- (ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

*[See Explanatory Note (iii)]*

9. To approve the renewal of Interested Person Transactions Mandate

**(Resolution 12)**

"That:-

- (a) approval be and is hereby given for the purposes of Chapter 9 of the Catalist Rules ("Chapter 9"), for the Company, its subsidiaries and associated companies (if any) that are considered to be "entities at risk" under Chapter 9, or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Company's Letter to Shareholders dated 1 April 2022 (the "Letter"), with any party who is of the class of interested persons described in the Appendix to the Letter provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders and in accordance with the Company's review procedures for such interested person transactions (the "IPT Mandate");

# NOTICE OF ANNUAL GENERAL MEETING

- (b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and
- (c) the Directors of the Company and each of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or each of them may consider expedient, necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Company.”

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

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Chew Choon Tee and Mr Chan Kam Loon are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 18 April 2022 (collectively, the “Retiring Directors” and each a “Retiring Director”).

Pursuant to Rule 720(5) of the Catalist Rules, the additional information relating to the Retiring Directors as set out in Appendix 7F to the Catalist Rules are disclosed on page 18 and 20 of the Company’s 2021 annual report.

## NOTICE OF RECORD DATE

**NOTICE IS HEREBY GIVEN** that subject to approval being obtained at the Annual General Meeting to be held by way of electronic means on Monday, 18 April 2022 at 10.00 a.m.

1. A final tax-exempt dividend of 1.2 cent per share for the financial year ended 31 December 2021 will be paid on 29 June 2022.
2. The Share Transfer Books and Register of Members of the Company will be closed on 14 June 2022 for the purpose of determining member’s entitlements to the proposed final tax exempt dividend. Duly completed and stamped transfers received by the Company’s Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte Ltd), 80 Robinson Road, #02-00 Singapore 068898, up to 5.00pm on 13 June 2022 (the “Record Date”) will be registered to determine member’s entitlements to the proposed dividend. Members (being depositors) whose securities account with The Central Depository (Pte) Limited are credited with ordinary shares as at Record Date will be entitled to the payment of the proposed dividend.

BY ORDER OF THE BOARD

Kwok Hwee Peng  
Hon Wei Ling  
Company Secretaries

1 April 2022

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:–

- (i) Pursuant to Rule 406(3)(d)(iii) of the Catalist Rules, Mr Chan Kam Loon, having served on the Board beyond nine (9) years from the date of his first appointment, will not be considered an Independent Director unless his appointment as an Independent Director is approved in separate resolutions by (A) all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates. The Company is seeking at this Annual General Meeting (“AGM”) to obtain the required approval in separate resolutions by (A) by all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates as required for his continued appointment as an Independent Director. Ordinary Resolutions 6 and 7, if passed, will enable Mr Chan Kam Loon to continue his appointment as an Independent Director (unless the appointment has been changed subsequent to the AGM) pursuant to Rule 406(3)(d)(iii) of the Catalist Rules and to Provisions 2.1 of the Code of Corporate Governance 2018 and the approvals shall remain in force until the earlier of (a) his retirement or resignation; or (b) the conclusion of the third AGM of the Company. Resolution 6 is conditional upon Resolution 7 being duly approved.
- (ii) Dr Tay Kin Bee was appointed as an Independent Director of the Company on 1 July 2013 and would serve the Board for an aggregate period of nine years on 1 July 2022. Pursuant to Rule 406(3)(d)(iii) of the Catalist Rules, Dr Tay Kin Bee will not be considered an Independent Director after 1 July 2022 unless his appointment as an Independent Director is approved in separate resolutions by (A) all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates. The Company is seeking at this AGM to obtain the required approval in separate resolutions by (A) by all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates prior to 1 July 2022 as required for his continued appointment as an Independent Director. Ordinary Resolutions 8 and 9, if passed, will enable Dr Tay Kin Bee to continue his appointment as an Independent Director (unless the appointment has been changed subsequent to the AGM) pursuant to Rule 406(3)(d)(iii) of the Catalist Rules and to Provisions 2.1 of the Code of Corporate Governance 2018 and the approvals shall remain in force until the earlier of (a) his retirement or resignation; or (b) the conclusion of the third AGM of the Company. Resolution 8 is conditional upon Resolution 9 being duly approved.
- (iii) The Ordinary Resolution 11 is to authorise the Directors of the Company from the date of this Meeting until the next AGM 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 AGM of the Company.

## Notes:

1. The AGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this notice of AGM (the “Notice of AGM”) and the proxy form will be sent to members by post and by electronic means via publication on the Company’s website at <http://megachem.listedcompany.com/newsroom.html>. This Notice of AGM will also be made available on the SGX website at <https://www.sgx.com/securities/company-announcements>.
2. **As a precautionary measure due to the current COVID-19 situation in Singapore, a member will not be able to attend the AGM in person.** Instead, alternative arrangements have been put in place to allow members to participate at the AGM by (a) watching the AGM proceedings via “live” webcast, (b) submitting questions in advance of the AGM, (c) addressing of substantial and relevant questions prior to the AGM; and (d) voting by appointing the Chairman of the AGM as proxy at the AGM. Additional information on alternative arrangement is set out in a separate letter “Additional Information on Alternative Arrangement for AGM” (“Additional Information”). This letter will be sent to members by post and by electronic means via publication on the Company’s website at <http://megachem.listedcompany.com/newsroom.html> and will also be available on the SGX website at <https://www.sgx.com/securities/company-announcements>. Members are advised to follow the procedures set out in the Additional Information.

# NOTICE OF ANNUAL GENERAL MEETING

## ADDITIONAL INFORMATION ON ALTERNATIVE ARRANGEMENT FOR ANNUAL GENERAL MEETING TO BE HELD ON 18 APRIL 2022

1. Printed copies of the Notice of AGM and the proxy form will be sent to members by post and by electronic means via publication on the Company's website at <http://megachem.listedcompany.com/newsroom.html>. This Notice of AGM will also be made available on the SGX website at <https://www.sgx.com/securities/company-announcements>.
2. The Company's 2021 annual report has been published on 1 April 2022 on the Company's website at <http://megachem.listedcompany.com/newsroom.html> and is also available on the SGX website at <https://www.sgx.com/securities/company-announcements>. Printed copies of the Company's 2021 annual report will not be sent to members.
3. Member will not be able to attend the AGM in person. Members will participate at the AGM by (a) watching the AGM proceedings via "live" webcast, (b) submitting questions in advance of the AGM, and (c) voting by appointing the Chairman of the AGM as proxy at the AGM.
4. Members who wish (a) to watch the "live" webcast of the AGM, (b) submit questions in advance of the AGM, and (c) vote electronically by appointing the Chairman of the AGM as proxy at the AGM, are to pre-register at the following website <https://conveneagm.com/sg/megachem2022> by **10.00 a.m. on 11 April 2022**.

We recommend members to log in 10 minutes earlier to test their connectivity. Members who require technical support can contact Azeus Convene (virtual AGM provider) at <https://www.azeusconvene.com/convene-eagm/support#contacts>.

Members are reminded that the AGM proceedings are private. Recording of the 'live' webcast of the AGM proceedings in whatever form is strictly prohibited.

Members who hold their Shares through relevant intermediaries as defined in Section 181 of the Companies Act 1967 (including CPF and SRS investors) and who wish to watch the "live" webcast of the AGM and/or submit questions in advance of the AGM should approach their respective relevant intermediaries by **10.00 a.m. on 8 April 2022**. Relevant intermediaries should contact the Company Secretary by phone at 6933 9912 or by email to [hpkwok@sg.megachem.com](mailto:hpkwok@sg.megachem.com) by **10.00 a.m. on 11 April 2022**.

Confirmation of a member's successful pre-registration will be sent by email to the member's email address provided or if the member is a legal entity, the corporate representative's email address provided or if the member is a relevant intermediary, the Beneficial Owner's email address provided.

Shareholders can access their accounts that are created during the registration process to (a) watch the "live" webcast of the AGM proceedings, (b) submit questions in advance of the AGM, and (c) to vote electronically by appointing the Chairman of the AGM as proxy at the AGM. Members are encouraged to use their Singpass to log in or are required to set up own password upon first log in to their account.

The abovementioned access link, user identification and password details should only be used by the authenticated members and should not be shared with anyone else. If it is established that the access link, user identification and password details are being used by someone other than the authenticated members, the Company reserves the right to revoke the respective user's access to the AGM.

Members who do not receive the Confirmation Email by **10.00 a.m. on 15 April 2022** but have registered by the 11 April 2022 deadline should contact the Company Secretary by phone at 6933 9912 or by email to [hpkwok@sg.megachem.com](mailto:hpkwok@sg.megachem.com).

## NOTICE OF ANNUAL GENERAL MEETING

5. Please note that members will not be able to ask questions at the AGM “live” during the webcast, and therefore members should pre-register their participation in order to submit their questions in advance of the AGM. All questions must be submitted by **10.00 a.m. on 11 April 2022**.

The Management and the Board of Directors of the Company will endeavour to address substantial and relevant questions (as may be determined by the Company in its sole discretion) received from members prior to the AGM by publishing the responses to those questions on the SGX website at <https://www.sgx.com/securities/company-announcements> and the Company’s website at <http://megachem.listedcompany.com/newsroom.html> by **10.00 a.m. on 13 April 2022**. Where substantial and relevant questions submitted by members are unable to be addressed prior to the AGM, the Company will address them at the AGM.

6. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such shareholder wishes to exercise his/her/its voting rights at the AGM. This proxy form is sent by post to members and may also be accessed at the Company’s website at <http://megachem.listedcompany.com/newsroom.html> and on the SGX website at <https://www.sgx.com/securities/company-announcements>.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

Members who hold their Shares through relevant intermediaries as defined in Section 181 of the Companies Act 1967 (including CPF and SRS investors) and who wish to exercise their votes by appointing the Chairman of the Meeting as proxy should approach their respective relevant intermediaries (including their respective CPF agent banks or SRS Approved Banks) to submit their voting instructions by **10.00 a.m. on 6 April 2022** in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf by **10.00 a.m. on 15 April 2022**.

The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

- (a) if submitted by post, be lodged with the Company’s Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898; or
- (b) if submitted electronically, be submitted via <https://conveneagm.com/sg/megachem2022>. Please refer to (4) above.

in either case, by **10.00 a.m. on 15 April 2022**, being not less than seventy-two (72) hours before the time appointed for holding the Meeting (or any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

A member who wishes to submit an instrument of proxy by post must complete and sign the proxy form, before submitting it by post to the address provided above.

7. The Chairman of the Meeting, as proxy, need not be a member of the Company.
8. Due to the constantly evolving COVID-19 situation in Singapore, we may be required to change our arrangements for the AGM at short notice. Members should check the Company’s website at <http://megachem.listedcompany.com/newsroom.html> and on the SGX website at <https://www.sgx.com/securities/company-announcements> for the latest updates on the status of the AGM.

### Personal Data Privacy:

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

# MEGACHEM LIMITED

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

## PROXY FORM

### IMPORTANT

#### Alternative Arrangements for Annual General Meeting (“AGM”)

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM will be sent to members by post and by electronic means via publication on the Company’s website at <http://megachem.listedcompany.com/newsroom.html>. The Notice of AGM is also available on the SGX website at <https://www.sgx.com/securities/company-announcements>.
2. **As a precautionary measure due to the current COVID-19 situation in Singapore, a member will not be able to attend the AGM in person.** Instead, alternative arrangements have been put in place to allow members to participate at the AGM by (a) watching the AGM proceedings via “live” webcast, (b) submitting questions in advance of the AGM, and (c) voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Additional Information on Alternative Arrangement for AGM.
3. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
4. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the Meeting as a member’s proxy to attend, speak and vote on his/her/its behalf at the AGM.

#### CPF/SRS Investors

5. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators by 10.00 a.m. on 6 April 2022 to submit their votes by 10.00 a.m. on 15 April 2022.

#### Personal Data

6. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notes to this Proxy Form.

I/We \_\_\_\_\_ (Name) NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_ (Address)

being a member/members of Megachem Limited (the “Company”), hereby appoint the Chairman of the Meeting as my/our \*proxy to vote for me/us\* on my/our\* behalf at the Annual General Meeting (the “Meeting”) of the Company to be convened and held by way of electronic means on 18 April 2022 at 10.00 a.m. and at any adjournment thereof.

I/We\* direct the Chairman of the Meeting to exercise all my/our votes\* “For” or “Against” or to “Abstain” from voting the Ordinary Resolutions to be proposed at the Meeting as indicated with an “X” in the spaces provided hereunder. If no specific directions as to voting are given, the Chairman of the Meeting will vote or abstain from voting at his discretion.

\* *Alternatively, please indicate the number of votes as appropriate “For”, “Against” or “Abstain” box as provided in respect of that resolution. If you wish the Chairman of the Meeting as your proxy abstain from voting on a resolution, please indicate with an “X” in the “Abstain” box provided in respect of that resolution.*

No.	Ordinary Resolutions	No. of votes “For”*	No. of votes “Against”*	No. of votes “Abstain”*
1.	To receive and adopt the Statement by Directors and Audited Financial Statements of the Company for the financial year ended 31 December 2021 together with the Auditor’s Report thereon.			
2.	To declare a final tax exempt dividend of 1.2 cent per share for the financial year ended 31 December 2021.			
3.	To approve Directors’ fees of S\$202,000 for the financial year ending 31 December 2022.			
4.	To re-elect Mr Chew Choon Tee pursuant to Regulation 117 of the Company’s Constitution.			
5.	To re-elect Mr Chan Kam Loon pursuant to Regulation 117 of the Company’s Constitution.			
6.	To approve Mr Chan Kam Loon’s continued appointment as an Independent Director by shareholders.			
7.	To approve Mr Chan Kam Loon’s continued appointment as an Independent Director by shareholders (excluding the directors, the chief executive officer and their associates).			
8.	To approve Dr Tay Kin Bee’s continued appointment as an Independent Director by shareholders.			
9.	To approve Dr Tay Kin Bee’s continued appointment as an Independent Director by shareholders (excluding the directors, the chief executive officer and their associates).			
10.	To re-appoint Messrs RSM Chio Lim LLP as auditors of the Company and to authorise the Directors to fix their remuneration.			
11.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act 1967.			
12.	To approve the renewal of Interested Person Transactions Mandate.			

Dated this \_\_\_\_\_ day \_\_\_\_\_ 2022

**Total Number of Shares Held**

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal

\* Delete accordingly

**IMPORTANT.** Please read notes overleaf



**Notes:-**

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. **As a precautionary measure due to the current COVID-19 situation in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting.** This proxy form will be sent by post to members. Members may also download the proxy form from the Company's website at <http://megachem.listedcompany.com/newsroom.html>, and the SGX website at <https://www.sgx.com/securities/company-announcements>.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

Members who hold their Shares through relevant intermediaries\* as defined in Section 181 of the Companies Act 1967 (including CPF and SRS investors) and who wish to exercise their votes by appointing the Chairman of the Meeting as proxy should approach their respective relevant intermediaries (including their respective CPF agent banks or SRS Approved Banks) to submit their voting instructions by **10.00 a.m. on 6 April 2022** in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf by **10.00 a.m. on 15 April 2022**.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
  - (a) if submitted by post, be lodged with the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898; or
  - (b) if submitted electronically, be submitted via <https://conveneagm.com/sg/megachem2022>. Please refer to the "Additional Information on Alternative Arrangement for AGM" for pre-registration details.

in either case, by **10.00 a.m. on 15 April 2022**, being not less than seventy-two (72) hours before the time appointed for holding the Meeting (or any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

A member who wishes to submit an instrument of proxy by post, must first download, complete and sign the proxy form, before submitting it by post to the address provided above.

5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointer or by his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointer by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. 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 1967.
8. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing the Chairman of the Meeting. 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 the Chairman of the Meeting 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.

\*A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

**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 AGM dated 1 April 2022.

AFFIX  
STAMP

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







MegaChem

**MEGACHEM LIMITED**

Company Registration No.: 198803293M

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[www.megachem.com](http://www.megachem.com)