Matex

Matex International Limited

万得国际有限公司

LIVING THE CULTURE OF COLOUR

ECO-FRIENDLY ⋆ NATURAL ⋆ BIODEGRADABLE

ANNUAL REPORT 2021

CONTENTS

This annual report has been reviewed by the Company's sponsor, Provenance Capital Pte. Ltd. (the "**Sponsor**"), for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist.

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

The contact person for the Sponsor is Ms. Wong Bee Eng, Chief Executive Officer, at 96 Robinson Road, #13-01, SIF Building, Singapore 068899, Telephone: (65) 6227 5810, Email: wongbe@provenancecapital.com.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr John Chen Seow Phun
Non-Executive Chairman and Independent Director

Dr Alex Tan Pang Kee
CEO and Managing Director

Mr Foo Der Rong
Independent Director

Mr Wang DaoFu
Independent Director

Mr Dro Tan Guan Liang
(Chen Guanliang)
Executive Director

COMPANY SECRETARIES

Ms Shirley Tan Sey Liy (FCS, FCG)
Mr Seow Han Khye

SHARE REGISTRAR

In.Corp Corporate Services Pte. Ltd.
(formerly known as RHT Corporate Advisory Pte. Ltd.)
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

REGISTERED AND BUSINESS OFFICE

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Singapore 159836
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AUDITORS

Moore Stephens LLP
Chartered Accountants of Singapore
10 Anson Road, #29-15
International Plaza
Singapore 079903

Partner-in-charge:
Mr Neo Keng Jin
(Appointed since FY2020)

PRINCIPAL BANKERS

DBS Bank Ltd
6 Shenton Way
DBS Building
Singapore 068809

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

United Overseas Bank Limited
80 Raffles Place
UOB Plaza 1
Singapore 049513

CORPORATE PROFILE

Established in September 1989 and listed on Singapore Exchange since February 2004, Matex International Limited is a leading manufacturer, supplier and marketer of quality dyestuffs and specialty chemicals, colour measurement and computer aided systems to various global markets such as textile, paper, leather, detergent and polymers industry. As part of its blueprint, it aims to be a world-class integrated service provider in **CLEAN COLOUR SCIENCE TECHNOLOGIES** the **WORLD** seeks, with our Center of Excellence in Singapore for **PEOPLE, INNOVATIONS, PRODUCTS, SERVICES, TECHNOLOGIES** and **SOLUTIONS** to our Markets.

Dedicated to serve, Matex has established a network of well-trained sales and marketing professionals with a strong presence in China to support its wide base of global customers. We are widely recognized for our strength in providing excellent technical support services in order to satisfy our customers' ever changing needs. Across the years we have been awarded with numerous accolades for our efforts. Matex had been constantly ranked as one of China's top chemical companies and in recent years we were recognized as Singapore Specialty Chemicals Company of the Year for our contributions.

Matex makes a concerted effort to integrate environmental and social concerns into business operations, ensuring a balanced and sustainable development of our businesses. Our world famous Megafix® reactive dye series is a testimonial of our ability to constantly develop unique, innovative products and services by combining the latest technologies through continuous research and development, with our intimate knowledge and business experience. We strive to add value to our customers' products, for higher quality, better performance, price competitiveness and eco-friendliness to achieve long term 'win-win' strategic partnerships.

OUR VISION

To be a world-class integrated service provider in clean colour science technologies the world seeks, with our center of excellence in Singapore for people, innovations, products, services, technologies and solutions to our markets.

OUR MISSION

To excel as a global competent solutions provider with pools of innovative talents ready to explore business opportunities and to deliver credible and sustainable business growth.

OUR VALUES

We are customer-focused for full satisfaction and we aim to be on-target to the right needs, provide on time delivery on-demand for the highest and consistent quality at affordable prices.

OUR PROMISE

To meet the needs of our customers we value add through competitive and innovative viable solutions. The needs of our employees – with our corporate values. The needs of our stakeholders – with healthy returns. And the needs of our environment – by being sustainable.

GROUP STRUCTURE

MIL
(Holding Co., Singapore)

- MHPL 100% (Singapore)
  - DTS 100% (China, SHANGHAI)
- USB 100% (Malaysia)
- DSB 100% (Malaysia)
- MTL 100% (China, SHANGHAI)
- ACL 100% (China, TAIXING)
- SMC 60% (China, SHANGHAI)
- MCT 60% (China, TAIXING)

Matex Chemicals (Taixing) Co., Ltd

Amly Chemicals Co., Ltd

Shanghai Matex Chemicals Co., Ltd

Unimatex Sdn Bhd.

MIL - Matex International Limited
(万得国际有限公司)

MHPL - Matex Holdings Pte Ltd
(万得控股私人有限公司)

USB - Unimatex Sdn Bhd
(全万得私人有限公司)

DSB - Dedot Sdn Bhd
(帝得貿易(马來西亚)私人有限公司)

ACL - Amly Chemicals Co., Ltd **
(安力化学(泰兴)有限公司) **

MTL - Matex Chemicals Technologies (Shanghai) Co., Ltd
(万得化工科技(上海)有限公司)

MCT - Matex Chemicals (Taixing) Co., Ltd *
(万得化工(泰兴)有限公司) *

SMC - Shanghai Matex Chemicals Co., Ltd
(上海万得化工有限公司)

DTS - Dedot Trading (Shanghai) Co., Ltd
(帝得貿易(上海)有限公司)

* The Company had on 7 April 2021 announced the strategic disposal of the Group's 60% equity interest in MCT, and obtained Shareholders' approval for the Proposed Disposal at the EGM held on 28 April 2021. The Proposed Disposal is subject to certain conditions precedent, including having the shareholders of the remaining 40% equity interest in MCT to also sell their stakes to the purchaser. The above condition precedent has yet to be fulfilled.
** The Company had on 23 February 2022, entered into a Sale & Purchase Agreement in relation to the proposed disposal of ACL. The proposed disposal of ACL is subject to Shareholders' approval at an EGM to be held.

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

2021: Transcending New Horizons!

Following up from 2020, Matex continued to pivot towards an asset lighter strategy and increased its efforts to fuel new growth amid three core areas namely **Health and Well-Being, Environmental Solutions and Lifestyle Wear**. It had worked closely with its supply chain partners to evolve and recalibrate the group's range of products and services that will allow it to transcend and capitalize these new and emerging business horizons.

Working tirelessly behind the scenes with many brands, organizations and government bodies, we were thankful to be given these valuable opportunities to put our solutions to good use, contributing nationally and regionally with the excellent products our customers were able to develop, commercialize and roll out amid the pandemic!

Working closely in tandem with **ST Engineering** and the **Temasek Foundation** was one such sterling example to provide Singapore's more than 5 million residents a more sustainable product, up to 7 months of potential use versus daily throw away disposable masks. The **MaskPure™ AIR+ Reusable Mask** provides proven protection for everyday use, with antimicrobial protection against 99.9% of viruses and bacteria, and more than 95% particulate filtration against PM2.5 and harmful particles.[1] This has led to more opportunities for Matex to reach other esteemed organisations like the **Changi Airport Group, SATS** and many others, to help these customers differentiate and be more sustainable too. Innovation plays an absolute crucial role in this aspect!

AKEMI HEIQ Viroblock[2] the leading brand of a regional powerhouse and household name for home textile was another clear example of this. Our distributed bio-based anti-viral solution was integrated in the brand's own range of differentiated products to help keep their consumers safer in the built environment with better living confidence and conditions.

Such is the versatility of our distributed innovations that they have helped our customers to leverage on leading sustainable technologies to stay ahead of their competition and continue to stay relevant and plugged in to the market needs.

We were delighted to launch our e-commerce store in October 2021 **https://matex-sg.myshopify.com** bringing new milestone for the group in the B2C segment. This compliments and adds to more B2B opportunities. It is also a concerted effort on our part to go digital and to reach out to a wider target audience across more industries.

These and many other examples, along with Matex's continued efforts to raise its global profile and give back can be viewed in the main link below.

Please visit: – **http://www.matex.com.sg/en/news_2021**

Megapro ECO® a Singapore Apex Corporate Sustainability award[3] winning sustainable solution continued its deployment in the field of sustainability for textile and manufacturing across the fashion value chain, is a system which eliminates the need for salt in exhaust dyeing of cellulosic, which can potentially impact up to 50% of global demand for better lifestyle wear.

Salt used in dyeing is otherwise hard to recover and often ends up in waste streams with severe detrimental effects to the environment. For brands and mills who are committed to recycling their waste, they have found this a refreshing solution to their immediate problems.

This is a meaningful environmental revolution which Matex continues to work closely with its global strategic brands, partners and customers to swiftly adopt in view of the pressing issues of climate change and to target the UN Sustainable Development Goals ("SDGs").

GOAL 3: Ensure healthy lives and promote well-being for all at all ages
GOAL 6: Ensure availability and sustainable management of water and sanitation for all
GOAL 11: Make cities and human settlements inclusive, safe, resilient and sustainable
GOAL 12: Ensure sustainable consumption and production patterns

The SDGs define global sustainable development priorities and aspirations for 2030 and seek to mobilise global efforts around a common set of goals and targets. The SDGs call for worldwide action among governments, businesses and civil society to end poverty and create a life of dignity and opportunity for all, within the boundaries of the planet.

Matex continues to be a **Bluesign® System** International Partner, committed to support Bluesign's vision to manage inputs and responsible actions. The **Bluesign® System** unites the entire textile supply chain to jointly reduce its impact on people and the environment.

Matex's products are approved by **Intertek's Green Leaf Mark Environmental Certification**, which places strong emphasis on the ban of hazardous Azo Dyes and effects limits on extractable heavy metal content.

Matex is a regular member partner at **Ecological and Toxicological Association of Dyes and Organic Pigments Manufacturers** ("**ETAD**"). It was founded in 1974 as an international organisation of Responsible Companies. ETAD's Code of Ethics, which is based on the principles of responsible care, complies with all national and international chemical regulations. It bases its position on sound science, internal industrial know-how and constantly updated regulatory information.

Matex chaired the 5th China Operating Committee ("ChOC") of ETAD online to align common goals for safety and the environment. The committee focuses on local activities and collaborates with regulatory bodies on all legislation developments affecting the colorant industry.

1 https://stayprepared.sg/staymasked/reusable/maskpure/
2 https://akemihome.com/viroblock/
3 http://matex.com.sg/en/news_2019/news_items/64

MESSAGE TO SHAREHOLDERS

Matex completed its LEVEL 3 on site audit and was awarded **OEKO-TEX® ECO PASSPORT Certificates**, which ensured its products meet the stringent statutory requirements. The **ECO PASSPORT** certification can be used as a credible proof for sustainable textiles and leather production for both brands and manufacturers. The chemicals certified in accordance with the **ECO PASSPORT** have been tested for the presence of harmful substances in critical concentrations as listed in the **ECO PASSPORT** standard. The certification also gives transparent proof that the treated articles meet the criteria for ecologically responsible textile manufacture.

Matex partnered ZDHC Gateway in its Roadmap to Zero Discharge of Hazardous Chemicals for a more circular economy approach and is committed to help find suitable solutions for its customers to repurpose, reduce, reuse and recycle their waste into valuable resources. As a ZDHC formulator, we will also focus on advancing the industry's standards, towards a safer chemical management platform which is in line with the goals of Matex and its stakeholders to improve the lives of billions with clean technologies.

Continuing our efforts as a responsible global corporate citizen, we actively champion a growing diverse range of programmes and initiatives to give back to society as part of our ongoing corporate social responsibility ("**CSR**") initiatives. Some of these highlights in 2021 include:

1) Working closely with Chrisal S.E Asia to dispatch to various social enterprises, eldercare residences, homes, community centres, charities and religious organisations the benefits of our latest range of **Probiotic and Prebiotic Solutions**.

   We sincerely hope to continue our best outreach to raise awareness on the need for better cleaning and hygiene solutions that can clean better, more efficiently, and reduce the built-up of antimicrobial resistance or AMR which has been quite ignored as a germophobic society we have now become. Having to thoroughly clean and deep clean with existing disinfectant solutions can inherently lead to more severe underlying problems later.

   Restoring confidence, protecting the vulnerable and building growth resilience are strong and meaningful pillars to give back to these communities.

2) Releasing its **2021 Communication on Progress Report** ("**COP**") on the UN Global Compact Website. We are constantly on the lookout for better ways to reduce our impact on the environment by lowering carbon emissions and improving energy efficiencies in our daily operations.

3) Continuing to pledge its commitment to Fair Employment Practices under the framework of **Tripartite Alliance for Fair & Progressive Employment Practices** ("**TAFEP**") organised and endorsed by Ministry of Manpower of Singapore, National Trade Union Congress and Singapore National Employers Federation.

4) Working with Singapore University of Technology & Design (**SUTD**) DYNAMIC ASSEMBLIES LAB again in the Knit Color Relief installation using **Megafix ECO® Dyes at the 4th ART ENCOUNTERS @ MILLENIA WALK, SINGAPORE**.[4]

   First launched during Singapore Art Week 2020, Art Encounters is a presentation series capturing the art-making process within repurposed shipping containers, designed to travel to unique sites around Singapore. Now in its fourth edition, Art Encounters arrives at Marina Central with an array of activities across the precinct focused on the diversity of textile art. It reflects on the relationship with nature and the distance between our ideals and actions.

   The fabrics are knitted on a Shima Seiki computer numerical control (CNC) knitting machine and the complex colours are achieved by knitting discrete blue, yellow, black, grey and white yarns with **Matex's award winning Megafix ECO®** colors using algorithms developed in SUTD. The multi-layered photograph and the variable spirals are knitted using algorithms that carefully control the placement of the knitted loops to create morphing geometries and perspective tricks, while the vegetation is knitted using an algorithm that randomly introduces defects that the knitting machine tries to self-correct.

5) Invited by Global Compact Network Singapore (GCNS) to a special edition Singapore Sustainability PodCast on "Building Better Businesses: Stories of Decisive Action"! Matex's Megapro® ECO: A Better Way To Dye!

   Together with MullenLowe Singapore, in the episode on **#sustainablefashion**, we shared on how Matex weaved sustainability into its business operations through Megapro® ECO – its environmentally friendly textile dyeing process. The challenges faced while creating this sustainable textile-dying process system and how it was overcome and the impact Matex has driven thus far!

   Listen now: **https://bit.ly/buildingbetterbusinesses**

6) Working with **Singapore Management University** (**SMU**) | BFI@SMU | to conduct a Masterclass titled: Innovation through Co-Creation[5]

   Matex International Limited was invited to participate in **BFI@SMU** Masterclass with topic on 'Innovation through Co-Creation' as a live case study to explore into the challenges and strategies for innovating in family business.

   Family businesses need to constantly innovate to build a lasting legacy. However, innovation is not the result of any individual genius, but a co-creative journey involving multiple stakeholders. As stewards to the family and the business, the next

4 **http://matex.com.sg/en/news_2021/news_items/122**
5 **http://matex.com.sg/en/news_2021/news_items/117**

MESSAGE TO SHAREHOLDERS

generation faces unique challenges as they orient to a new future while preserving their family roots.

The main speakers of the Masterclass were Professor Kenneth Goh (Academic Director, Business Families Institute, Singapore Management University, and Assistant Professor of Strategic Management, Lee Kong Chian School of Business) and Mr Dro Tan (Executive Director of Matex International Limited).

7) Matex pioneers in "LowCarbon SG" by GCNS[6]

In support of the Singapore Green Plan 2030, "LowCarbonSG" aims to demystify the decarbonisation process for businesses in their transition towards lower carbon operations and investments. The programme is meant to help businesses build the habit of measuring, tracking, and reporting their carbon footprint through capacity-building and recognition efforts.

"LowCarbonSG" is helmed by Carbon Pricing Leadership Coalition (CPLC) Singapore, the decarbonisation arm of Global Compact Network Singapore (GCNS), and supported by the National Environment Agency (NEA) and Enterprise Singapore (ESG)

And Matex is honoured to be a pioneer participant in this event.

8) **SDC 2021 Singapore Regional Heat**

Returning after a year's long pause due to the COVID-19 in 2020. We were delighted to resume our long-standing work with the local design and fashion schools in our 2021 edition of the Society of Dyers and Colourists (SDC) Singapore Regional Heat.

Amid more than 100 entries, Ms. Choi Nakyeong student from the Raffles Design Institute took first place at the Singapore heat of the International Design Competition with her winning piece inspired from the planet "Mercury" with her interesting take and unique colour combinations of the planet, based on this year's "Colour and the Universe" theme. She then represented Singapore for the Online Grand Final in November 2021.

REVIEW OF OPERATIONAL RESULTS

REVENUE

The Group recorded a total revenue of S$20.9m for the full year ended 31 December 2021 ("FY2021"), a decrease of approximately S$3.7m or 15% as compared to the corresponding period ended 2020 ("FY2020") of S$24.6m. This was due mainly to the impact of COVID-19 pandemic that has disrupted the Group's business and operations since early 2020.

GROSS PROFIT

Gross profit margin for FY2021 has dropped from 13.9% in FY2020 to 12.6% in FY2021, due mainly to lower revenue, higher logistics costs and clearing of aging inventories. Gross profit reduced by S$0.8m from S$3.4m in FY2020 to S$2.6m in FY2021.

NET OPERATING EXPENSES

For FY2021, the Group recorded lower net operating expenses of S$9.0m as compared to S$12.9m in FY2020. This was due mainly to the absence of impairment losses on PPE and intangible assets of S$3.3m and lower selling & distribution and general & administrative expenses.

NET FINANCIAL EXPENSES

The Group recorded a net finance expenses of S$707k in FY2021, as compared to an amount of S$508k in FY2020 due mainly to additional loan facility.

TAX

Taxation is in line with profits made by profitable subsidiaries in China and Malaysia.

NET RESULTS

As a result of the above, the Group registered a lower loss before tax of S$7.0m for FY2021 as compared to loss before tax of S$9.9m for FY2020. The loss attributable to owners of the Group is approximately S$4.9m in FY2021, as compared to S$6.4m in FY2020.

FINANCIAL POSITION

The Group's PPE including the land use rights and right-of-use assets were at S$0.9m and S$10.1m as at 31 December 2021 and 31 December 2020 respectively. The reduction in PPE was mainly attributable to the reclassification of non-current assets to current assets held for sale of S$8.7m as a result of the proposed disposal of Matex Chemicals (Taixing) Co., Ltd ("MCT") and Amly Chemicals Co., Ltd ("ACL") as set out in the Company's announcements dated 7 April 2021 and 23 February 2022 respectively.

Intangible assets was reduced by S$0.2m due mainly to amortisation charges.

Inventories were at S$2.5m as at 31 December 2021 and S$10.4m as at 31 December 2020. The decline in inventories was due mainly to reclassification to current assets held for sale of S$4.6m and consumption in the normal course of business.

Current trade and notes receivables has decreased from S$4.8m as at 31 December 2020 to S$2.2m as at 31 December 2021, due mainly to the reclassification to current assets held for sale of S$1.4m and lower sales.

Other receivables has reduced by S$0.1m from S$1.3m as at 31 December 2020 to S$1.2m as at 31 December 2021.

Prepayment has decreased by S$0.4m from S$0.6m as at 31 December 2020 to S$0.2m as at 31 December 2021, due mainly to the reduction in advance payment to suppliers.

Cash and cash equivalents for the period increased from S$4.5m as at 31 December 2020 to S$5.7m as at 31 December 2021. The increase in cash was due mainly to the S$4.1m loans and borrowings obtained by our subsidiaries, which was partially offset by cash used in operations and repayment of loans and borrowings.

Trade payables has reduced from S$2.5m as at 31 December 2020 to S$1.3m as at 31 December 2021 due mainly to reclassification to current liabilities held for disposal of S$0.5m and lower purchases in line with the reduction in sales.

6 https://unglobalcompact.sg/lowcarbonsg

MESSAGE TO SHAREHOLDERS

Other payables and accruals has decreased from S$5.1m as at 31 December 2020 to S$5.0m as at 31 December 2021, due mainly to lower accrual of salary and bonus.

Term loan has decreased from S$10.5m as at 31 December 2020 to S$5.5m as at 31 December 2021. This was due mainly to reclassification to current liabilities held for disposal of S$7.8m and the increase in loans and borrowings of S$4.1m which was used mainly as working capital and for financing of purchases made in the ordinary course of business, and partially offset by repayment in loans and borrowings.

Overall, Group's equity as at 31 December 2021 was at S$7.1m, a reduction of approximately of S$6.8m as compared to S$13.9m as at 31 December 2020. This was due mainly to the loss incurred during FY2021.

CASH FLOW POSITION

Net cash generated from operating activities

In FY2021, approximately S$238k of net cash was generated from the operating activities, which was a result of operating loss before changes in working capital of S$5.2m, net working capital inflows of approximately S$6.1m and net interest and tax expense of S$0.7m.

Net cash used in investing activities

In FY2021, the Group's net cash outflow from investing activities amounted to approximately S$267k, which was due mainly to the purchase of PPE of S$273k and partially offset by the proceeds from the disposal of property, plant and equipment of S$6k.

Net cash from financing activities

In FY2021, the Group's net cash inflow from financing activities amounted to approximately S$1.9m. This was due mainly to the increase in loans and borrowings of S$4.2m, and partially offset by loan repayments of S$1.8m and lease liabilities repayment of S$0.5m.

FUTURE OUTLOOK

When will the pandemic end? This straightforward question is clearly crucial for the economic and market outlook, yet the answers remain elusive and nuanced.

As the world prepares for a shift to an endemic situation from the current pandemic, inflation risk and supply chain cost pressures are expected to continue to linger and persist widely in the short to mid-term. At the recent world economic forum at the Davos Agenda, global leaders through a virtual series of sessions, continue to discuss on topics of equitable global vaccination, restoring trust in global trade to build future preparedness with technology cooperation in the fourth industrial revolution, accelerating and scaling up climate innovation. China's recent power supply shortages and its policy on zero COVID policies are of key concerns to the global economy's recovery and rebalancing growth amid potential tightening monetary policies.

With this as a backdrop, Matex continues to do its best to pivot into emerging industries like health and well-being, environmental solutions, lifestyle wear with sustainable products and solutions that can add value to help its customers, brands and stakeholders differentiate and innovate. As part of its own internal restructuring efforts to be more streamline and asset light, along with its aim for a more circular economy approach, it will put more efforts into strengthening its distribution channels, green product research and development and reduce manufacturing where possible.

The Company had on 7 April 2021 announced the strategic disposal of the Group's 60% equity interest in MCT ("Proposed Disposal"), and had on 28 April 2021, obtained Shareholders' approval for the Proposed Disposal at the extraordinary general meeting ("EGM") held on the same day. The Proposed Disposal is subject to certain conditions precedent, including having the shareholders of the remaining 40% equity interest in MCT to also sell their stakes to the purchaser.

As an update, the above condition precedent has yet to be fulfilled. As Shenyang Chemical Research Institute Co., is a PRC state-owned company and Shanghai Tangzhen Investment Development Group Co. Ltd is a company 100% owned by Tangzhen government, the regulations and procedures for them to dispose of the 40% equity interest in MCT are time consuming. Though both of them have given their consent for the disposal to the same buyer, they will still need more time to go through the procedures. The Company estimates that it will take till mid-2022 to complete the sale process. The buyer has agreed to further extend the Acquisition Agreement until 30th June 2022. The Company will provide appropriate updates in due course.

The Company had on 23 February 2022, entered into a Sale & Purchase Agreement in relation to the proposed disposal of 100% equity interest of ACL. The proposed disposal of ACL is subject to Shareholders' approval at the EGM to be held on 29 April 2022.

The Company had also on 4th August 2021 entered into a non-binding Memorandum of Understanding with White Group Pte. Ltd., which is currently still under discussion.

Concurrently, the Company is actively exploring suitable businesses and opportunities for diversification with the funds expected to be obtained from the sale of MCT and ACL.

WORDS OF APPRECIATION

Our deepest appreciation to our valued customers, business partners, associates and stakeholders for your kind support and understanding as we worked hand in hand through 2021, to create new opportunities collectively.

With your ever unwavering trust, support and confidence, we look forward to better sustainable growth and add value to improve **the lives of billions globally!**

To our dearest Matexians, thank you again all for your strong commitment, firm determination and sound work ethics. Let's continue to stay alert, united and ready to scale.

Yours sincerely,

Dr John Chen Seow Phun
Non-Executive Chairman

Dr Alex Tan Pang Kee
Chief Executive Officer/Managing Director

BOARD OF DIRECTORS

DR JOHN CHEN SEOW PHUN
Non-Executive Chairman & Independent Director

Dr Chen has been our Chairman and Independent Director since 11 July 2003. He was a Member of Parliament ("MP") from September 1988 to May 2006. He was the Minister of State for Communications from March 1997 to June 1999. From June 1999 to November 2001, he was the Minister of State for Communications & Information Technology and Minister of State for National Development. Dr Chen holds a Doctor of Philosophy ("Ph.D") degree in Electrical Engineering from the University of Waterloo, Canada. He taught at the National University of Singapore from 1983 to 1991. In 1991, he became the Assistant Secretary General of the National Trades Union Congress (NTUC) until 1997. Dr Chen also served as the Deputy Chairman and Managing Director of the NTUC Healthcare Cooperative Ltd from 1992 to 1997. Dr Chen has served as a board member of the Economic Development Board (EDB), the Housing & Development Board (HDB), the then Port of Singapore Authority (PSA) and Singapore Power Ltd. He is presently the Executive Chairman of Pavillon Holdings Ltd (formerly known as Thai Village Holdings Ltd) and Chairman of SAC Capital Pte Ltd. He also sits on the board of several public listed companies as an independent director.

MR FOO DER RONG
Independent Director

Mr Foo was appointed as an Independent Director of the Company on 10 May 2016. Mr Foo holds a Bachelor of commerce from the then Nanyang University. Mr Foo is currently the Director of Tian International Pte Ltd. He also sits on the Board of Noel Gifts International Ltd, SLB Development Ltd and Southern Lion Sdn Bhd. He has a wealth rich experience and knowledge in business development, corporate restructuring, investment strategies and operations management, in a wide range of industries. He was formally the Managing Director/Chief Executive Officer of Intraco Ltd from 2013 to 2015 and the Managing Director/ Chief Executive Officer of Hanwell Holdings Ltd from 2002 to 2012. Mr Foo was the former Vice Chairman and currently a Patron of Teck Ghee Community Club.

MR WANG DAOFU
Independent Director

Mr Wang DaoFu is our Independent Director since 11 January 2017. He graduated with Bachelor of Law from Peking University in 1984. From August 1993 till May 2002, he had been working with many established Singapore law firms, as their Chinese Legal Counsel. Following that Mr Wang set up Shanghai Yuantai Law Offices in 2004 and is the firm's founding partner. He has more than 30 years of PRC legal practice experience in wide ranging areas of capital market, corporate finance and mergers & acquisition. Mr Wang currently serves as director of a few companies which include Proceq Trading (Shanghai) Co. Ltd (China), SGD Investment Pte Ltd, MOBO Information Technology Pte Ltd and Sunpower Group Ltd.

BOARD OF DIRECTORS

DR ALEX TAN PANG KEE
CEO and Managing Director

Dr Alex founded our Company in September 1989 and was appointed as our Managing Director since early 1990. Dr Alex has more than 30 years of related experience and is instrumental in the development of our Company since its inception. He is in charge of formulating corporate strategies and management of our growth and development. He is also involved in developing new products and identifying new markets for our Group.

Dr Alex was a member of Pro-Enterprise Panel with Ministry of Trade & Industry from 1 January 2016 to 31 December 2017 and has also served the Textile and Fashion Industry Training Center Academic and Examination Board for a term of 5 years from 1 November 2010 to 1 November 2015. Previously he had also been appointed as the Chairman of the IPI Industry Advisory Panel with IPI Ltd from 30 April 2014 to 31 May 2016.

Dr Alex holds a Bachelor of Science degree in Chemistry from the University of London and obtained an honorary Ph. D in business administration from the Honolulu University, Hawaii, USA, in 2003. Between 1967 and 1989, Dr Alex was the Regional Technical Manager of the Sandoz Division of F.E. Zuellig (Trading) Pte Ltd (1976 to 1988). Technical Supervisor of Guthrie (M.S.) Pte Ltd (1973 to 1975) and a Chemical Analyst in the Malaysia Chemistry Department (1967 to 1972).

MR DRO TAN GUAN LIANG
Executive Director

Mr Dro was appointed as our Executive Director since 2010. He is responsible for the Group's business, projects that cater to branding of the company and product innovation and development. He helps out with the design, expansion and overseeing of the group's buildings and infrastructures. He is actively involved in the group's diversification projects that aim to complement the Group's existing core businesses. He has also been appointed as Associate Council Member (Sustainability) at Textile and Fashion Federation Singapore a non-profit organisation, and an active member of its executive and management committee dedicated to help the Singapore textile and fashion industry and its members globalize. He is also appointed as Executive Council Member in the 8th Council of the China Dyestuff Industry Association. Prior to this he has worked with various architectural firms in Seoul, Korea and Singapore. He is an ACAD board member of the Textile and fashion training center TaFtc. Mr Dro graduated with a Masters in Architecture and Minor in Technopreneurship from the National University of Singapore in 2008; his research thesis focused on the global study and development of sustainable suburban communities.

KEY MANAGEMENT

MR TAN PANG SIM
Director/General Manager of Unimatex Sdn Bhd

Mr Tan has been the General Manager of Unimatex Sdn Bhd (USB) since 2000. He is in charge of the management and development of corporate policies and procedures for USB. Mr Tan holds a diploma in commercial accounting from the Singapore Commercial Accounting Institute and is an Associate Financial Planner with the Financial Planner Association of Malaysia. Having started his career as an Accountant and Office Administrator in Pacific Food Product Sdn Bhd in 1971, Mr Tan has more than 30 years of experience in company administration and management as well as financial planning. Prior to joining us, he was the Financial Controller/Director of Macinda Sdn Bhd between 1989 and 2000.

MR SEOW HAN KHYE
Chief Financial Officer

Mr Seow joined the Group since July 2020. He is in charge of the finance, accounting, taxation and treasury functions of the Group. He is also actively involved in operations management and assists the Executive Directors to oversee financial planning, business development and management of strategic business investments of the Group. Prior to joining the Company, Mr. Seow was the Chief Financial Officer of a multi-national company. He has also acquired vast working experience working as senior management with various multi-national companies in the past.

Mr Seow is a Fellow Member of Association of Chartered Certified Accountants.

FINANCIAL HIGHLIGHTS

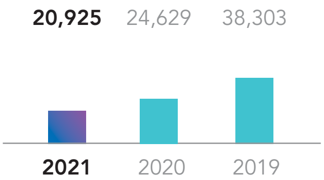
GROUP CONSOLIDATED STATEMENTS

Statement of Comprehensive Income ($'000)	2021	2020	2019
Revenue	**20,925**	24,629	38,303
Gross Profit	**2,640**	3,425	3,592
Net operating & financial expenses	**(9,683)**	(13,363)	(13,303)
Loss before tax	**(7,043)**	(9,938)	(9,711)
Income tax	**(29)**	(51)	(105)
Loss after tax	**(7,072)**	(9,989)	(9,816)
Attributable to:			
Owners of the parent	**(4,930)**	(6,375)	(6,247)
Non-controlling interests	**(2,142)**	(3,614)	(3,569)
	(7,072)	(9,989)	(9,816)
Loss per share (cents)*	**(1.58)**	**(2.38)**	**(2.34)**
Balance Sheet ($'000)			
Property, plant and equipment	**1,079**	10,453	14,176
Other non-current assets	**–**	–	355
Current assets	**29,141**	23,065	27,642
Less: current liabilities	**(19,223)**	(16,907)	(19,665)
Net current assets	**9,918**	6,158	7,977
Non current liabilities	**(3,921)**	(2,680)	(847)
Net Assets	**7,076**	13,931	21,661
Owners of the company	**7,802**	12,528	16,905
Non-controlling interests	**(726)**	1,403	4,756
Total Equity	**7,076**	13,931	21,661
Net asset value per share (cents)**	**2.50**	**4.02**	**6.32**

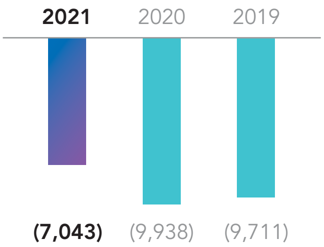
* Loss per share for FY2021 is calculated by dividing the loss attributable to owners of the parent for FY2021 by the weighted average number of ordinary shares outstanding during the year of 311,698,153 (2020: 267,756,478/2019: 267,392,320) shares.

** The net asset value per share as at 31 December 2021 is computed based on 311,698,153 (2020: 311,698,153/2019: 267,392,320) ordinary shares.

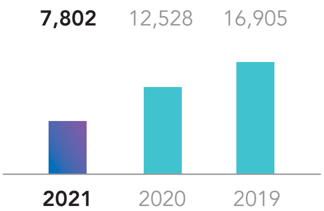
REVENUE ($'000)



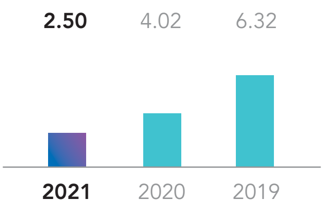
(LOSS) BEFORE TAX ($'000)



SHAREHOLDERS' EQUITY ($'000)



NET ASSET VALUE PER SHARE (CENTS)



FINANCIAL CONTENTS

SUSTAINABILITY REPORT

ABOUT THIS REPORT

The Group's sustainability report ("**Sustainability Report**") shows the Group's consideration for sustainability issues as part of its strategic formulation to create long-term value for our shareholders and key stakeholders.

The Group had published its first Sustainability Report in 2017 and will continue to do so on a yearly basis as part of its Annual Report.

This report sets out the approaches adopted by the Group and the measures we have taken in managing the environmental, social and governance ("**ESG**") aspects of our business operations based on the Global Reporting Initiative ("**GRI**") guidelines.

This report focuses on addressing material ESG factors to provide readers with a meaningful overview of how sustainability issues are managed, which is in accordance with the Singapore Exchange's Listing Rule 711B for listed companies and covers the primary components as follows:–

- Board Statement;
- Sustainability reporting framework;
- Materiality assessment;
- Policies, practices and performance; and
- Targets.

BOARD STATEMENT

We tackle each challenge with safe, reliable and innovative solutions. We trust our competent local teams to provide sustainable developments for the Group and the communities in which we operate.

We continue to monitor the impact that our business activities or actions may have on the environment and communities because we recognise the importance of healthy ecosystems and social equity. Operating at all times with integrity, trust and reliability continues to be our vision when we manufacture and supply innovative and high-quality products in a manner that minimises impact on the environment.

We deem sustainability as a critical success factor for companies to ensure long-term value creation. The key material ESG factors for the Group have been identified and reviewed by the management of the Group. The board of the Company (the "**Board**") monitors and oversees the management of these factors and takes them into consideration when determining the Group's strategic direction and policies.

We will continue to pursue good corporate governance and sustainable business practices that fosters best practices, transparency, accountability and integrity for the long-term sustainability of our business and value creation for our stakeholders and communities.

SUSTAINABILITY REPORT

REPORTING FRAMEWORK, PERIOD AND SCOPE

This report articulates the key economic and operational, governance, and social issues that affect our Group during the financial year ended 31 December 2021.

This report adopts the **GRI Sustainability Reporting Standards**, a standard which is aligned with international standards and normative frameworks. The information and data are reported in good faith whilst the Group continues to strengthen its data collection processes.

MATERIALITY ASSESSMENT

Economic & operational factors

Retention of customers

Customer retention continues to be the Group's key focus for its business sustainability and to drive sales growth.

Notwithstanding our low production volumes as a result of the impact of the COVID-19 pandemic in 2021, the Group expects to gradually see the positive return of its customers with its ongoing effort in sustaining good rapport with them.

Improvement of productivity efficiencies

Wastage of raw materials and time (i.e. labour hours and machine hours) has a significant impact on the profitability of the Group. Therefore, it is necessary to implement measures to reduce such wastages.

During the year, the Group, with its improved production facilities and automation, continues to test, develop and procure raw materials of a higher quality to ensure a more complete production cycle. This aligns with our aim of reducing wastage output and recycling discharge where possible.

The Group has in place a progressive and flexible system to reward and publicise any good ideas on production efficiency improvement and waste-reduction efforts contributed by its employees. For example, staff and workers have a creativity scoring portion in their current monthly KPA/KPIs for any contribution of innovative ideas that can aid the improvement of productivity efficiencies.

Strategic partnership

During the year, the Group continued to work closely with its global strategic brands, partners and customers to launch its range of eco-friendly products like **Megapro ECO®**, **Supergard®**, **HEIQ Viroblock®**, which had received positive feedback.

The Group expects to achieve greater gross margins through higher selling prices, as the economy recovers, as well as better control over cost of production (e.g. via centralised procurement).

SUSTAINABILITY REPORT

Environmental factors

Reduce and reuse

The Group continues to fully embrace the concept of waste minimisation across its supply chain. It strives to minimise waste within its operations. Reduction of waste does not only reduce its negative impact on the natural environment, but also increase cost-savings on raw materials.

Wastewater treatment

As a dye and chemical company, environmental protection is a key and crucial consideration. We ensure proper treatment of wastewater generated from our production processes before its discharge.

In addition, we also hope to spread our efforts to other stakeholders along the value chain. The Group has put in place novel membranes to treat high salt content wastewater in textile dyeing, with its expected operating pressure being much lower than similar membranes available in the market. This saves time, energy and cost of the treatment.

The Group aims to commercialise such solutions by first implementing and testing them at its own plants and with a few close strategic customers and partners. Once the COVID-19 situation stabilises, the Group aims to increase its marketing efforts to provide such water treatment solutions to customers who face increasing challenges in their own wastewater treatment processes.

Reduction in carbon emissions

The Group released its **2021 Communication on Progress Report ("COP")** on the UN Global Compact Website. It is constantly on the lookout for better ways to reduce its impact on the environment by lowering carbon emissions and improving energy efficiencies in its daily operations. It was invited as a pioneer member of the LowCarbonSG programme by Global Compact Singapore as part of the Singapore Green Plan 2030.

By switching from coal to natural gas, a more environmentally friendly fuel, the Group has achieved reduction in its carbon emissions. In addition to providing our workers with a cleaner working environment, our products have generated lower carbon footprint which helps customers to achieve better results in their carbon neutrality aspirations.

SUSTAINABILITY REPORT

Environmental goals set in 2020 and aim to review by 2025:–

- Energy consumption to be cut by up to 30%;
- Direct CO_2 emissions to be reduced by up to 45%;
- Water usage to be reduced by up to 25%;
- Volume of effluents to be reduced by up to 40%; and
- Volume of waste to be reduced by up to 45%.

With the centralised automated monitoring systems installed which allows better control over loading quantities, time and temperature for reaction settings, as well as the more efficient use of natural gas powered spray towers to continuously concentrate and deliver product output on a consolidated product range, the Group has transformed the previously manual monitoring, additions and batch-wise production to a more pro-active online operating platform for our factories to work towards the goals set above.

Further to the above initiatives, through better planning, we have reduced the need to keep rewashing the towers and production vessels. By dedicating coloured lines, such as black, red, yellow and blue, as priorities, along with the installation of waste treatment units at each synthesis factory building units, the gathered concentrated wastes are recycled and circulated back into the production system for reuse. Therefore, this cuts down the total amount of waste passed into the final treatment tanks, which results in a reduction of stress, load and costs to our internal waste treatment plant.

Eco-friendly products

The Group continues to comply with the required global standards and keep customers abreast of the latest technologies being utilised. We have developed a wide range of products which require lesser resources such as water and electricity. The Group continues to receive positive feedback on its eco-friendly product ranges, **HEIQ Viroblock®** anti-viral finish, **Supergard®** oil and water Repellent, **Megapro ECO®**, a system comprising a range of products which fully eliminates the need for salt in exhaust dyeing. These products encourage customers' business continuity as they result in lesser utility usage and generate lower carbon footprint. With the heightened global awareness on environmental protection, the Group continues to innovate more eco-friendly products while serving customers' needs.

The Group is looking to pivot more into the health and well-being area with its new range of probiotics and prebiotics cleaning and hygienisation products. This will allow us to tackle the global issue of anti-microbial resistance and high hospital reinfection rates caused by the current cleaning products in the market.

SUSTAINABILITY REPORT

Social factors

Compliance of industrial standards

The Group continues its commitment to meet the industry's best practices and ensures that its business conforms to the requirements and standards. The Company is **OEKO-TEX® ECO PASSPORT Certified**, which represents that its chemical products are meeting the stringent statutory requirements. The ECO PASSPORT certification can be used as a credible proof for sustainable textiles and leather production for both brands and manufacturers. The chemicals certified in accordance with the ECO PASSPORT have been tested for the presence of harmful substances in critical concentrations as listed in the ECO PASSPORT standard. The certification also gives transparent proof that the treated articles meet the criteria for ecologically responsible textile manufacture.

The Company is a regular member at **Ecological and Toxicological Association of Dyes and Organic Pigments Manufacturers** ("**ETAD**"). ETAD was founded in 1974 as an international organisation of Responsible Companies. ETAD's Code of Ethics, which is based on the principles of responsible care, complies with all national and international chemical regulations. It bases its position on sound science, internal industrial know-how and constantly updated regulatory information. The Company chaired the 4th China Operating Committee ("ChOC") of ETAD in Shanghai to align common goals for safety and environment. The committee focuses on local activities and collaborates with regulatory bodies on all legislation developments affecting the colorant industry.

The Group continues to be a partner of **Bluesign® System** and is committed to support Bluesign's vision to manage inputs and perform responsible actions. The Bluesign® System unites the entire textile supply chain to jointly reduce their negative impact of the textile manufacturing industry on people and the environment.

The Group continues to be a member of the **Zero Discharge of Hazardous Chemicals** ("ZDHC") and is committed to the goals of ZDHC. In the ZDHC Joint Roadmap, Version 2, ZDHC member brands are committed to define and develop a **Manufacturing Restricted Substances List** ("MRSL") for the apparel and footwear industry. The ZHDC MRSL addresses hazardous substances potentially used and discharged into the environment during manufacturing and related processes, and not just substances that could be present in finished products.

The ZDHC MRSL is a list of chemical substances that are subjected to a usage ban. This means that the chemical substance or group of substances listed in MRSL shall not be used to achieve a desired function or effect during production of the raw material or product (that is, no intentional use). However, due to the existence of manufacturing impurities in chemical formulations, a minor or trace amount of the restricted substance is still permitted within the defined concentration limits. Chemical formulations containing restricted substances that exceed these limits are not in compliant with the MRSL.

SUSTAINABILITY REPORT

Restricted substances and groups of substances according to ZDHC MRSL (refer to MRSL for details on chemicals and individual limits) are:

- Alkylphenol (AP) and Alkylphenol Ethoxylates (APEOs)
- Anti-Microbials & Biocides
- Chlorinated Parafins
- Chlorobenzenes & Chlorotoluenes
- Chlorophenols
- Dyes – Azo (Forming Restricted Amines)
- Dyes – Carcinogenic or Equivalent Concern
- Dyes – Disperse (Sensitising)
- Dyes – Navy Blue Colourant
- Flame Retardants
- Glycols/Glycol Ethers
- Halogenated Solvents
- Organotin Compounds
- Perfluorinated and Polyfluorinated Chemicals (PFCs)
- Phthalates – including all other esters of ortho-phthalic acid
- Polycyclic Aromatic Hydrocarbons (PAHs)
- Total Heavy Metals
- UV absorbers
- Volatile Organic Compounds (VOC)

Compliance of law and regulation

Regulatory compliance is of key importance for business continuity. It also serves to foster trust among stakeholders. A positive reputation is likely to encourage stakeholders to maintain and foster deeper relationships, where the converse can ultimately undermine the financial performance of the Group.

As a responsible corporate citizen, the Group will continue to observe all regulatory requirements within the Group.

Employment and retention of employee

The Group continues to pledge its full commitment to Fair Employment Practices under the framework of TAFEP (Tripartite Alliance for Fair & Progressive Employment Practices) organised and endorsed by Ministry of Manpower of Singapore, NTUC (National Trade Union Congress) and SNEF (Singapore National Employers Federation).

SUSTAINABILITY REPORT

The Group recognises the importance of providing a safe and conducive working environment for its employees. The Group's standardised company-wide policy includes the maintenance of a comprehensive set of work safety management systems. These include procedures for operation of machinery, occupational health and safety practices, emergency rescue plans and environmental protection practices. Our operations have management systems that are following the ISO 14001, ISO 9001 and OHSAS 18001:2007 standards.

Fair and equitable employment, merit and the performance of individuals without discrimination of race, gender, age or religion, prevails in our recruitment and promotion selection and/or scoring criteria.

STAKEHOLDER ENGAGEMENT

The Group continues to engage with diverse stakeholder groups that have been identified to be highly pertinent to the sustainable developments of the Group and a prerequisite for its long-term sustainable growth.

The Group continues to actively communicate and interact with stakeholders during the course of its daily operations to understand and address their needs and concerns. In addition to meeting stakeholders, the senior management also participates in conferences and exchanges with relevant industry associations in order to contribute to different sectors of the industry, as well as to keep abreast of industry trends. Such communications play a vital role in decision-making processes of the Group.

The table below summarises the information on communications between the Group and its different stakeholders:

Stakeholders	Topics concerned	Communication channels	Frequency per year
Customers	• Production quality and improvements; • Operations in compliance with applicable laws and regulations; • Customer support; • Financial performance	• Customer visits or meetings; • Industry exhibitions; • Quarterly or half yearly business review; • Customer service hotline and email	• As required • Yearly • Quarterly or half year • As required
Employees	• Communication and engagement; • Career development and welfare; • Working environment condition; • Training	• Social events with employees, internal announcements and emails; • Regular management meeting with staff; • Regular review with department heads	• As required • As required • As required
Shareholders	• Return on investment; • Operations in compliance with applicable laws and regulations	• Half yearly and annual financial results announcement; • Sustainability report	• Half-yearly • Yearly

SUSTAINABILITY REPORT

Stakeholders	Topics concerned	Communication channels	Frequency per year
Investors	• Strategic plans; • Operations in compliance with applicable laws and regulations	• Regular meeting with investors; • Sustainability report	• As required • Yearly
Suppliers	• Supplier quality performance; • Supplier sustainability in business; • Operations in compliance with applicable laws and regulations	• Regular meeting with suppliers; • Key suppliers audit; • Sustainability report	• As required • Yearly • Yearly
Government and regulators	• Operations in compliance with applicable laws and regulations	• Regular compliance update and submission	• Yearly
Communities	• Environmental protection; • Community activities involvement; • Support to society organisations; • Operations in compliance with applicable laws and regulations	• Participation in community activities; • Communication through phones and emails; • Sustainability report	• On-going • As required • Yearly

OUR SUSTAINABILITY PROGRESS AND TARGETS

Product, cost cutting and process innovation

In addition to streamlining its production processes, to improve efficiency and to eliminate unnecessary steps without undermining the quality of the products, the Group has implemented an E-Commerce system, **YONYOU NC System** ("**ERP**") to synchronise its operation process and provide real-time information to users.

The introduction of ERP has streamlined the Group's operation and substantially improve its turnaround time, thus resulting to an increase in customer satisfactions. In addition, it has achieved a reduction in labour hours by relying less on workers and thus leading to cost-saving efficiencies.

We expect to recognise further efficiencies as the Group continues to adopt ERP for all its modules such as manufacturing, operations, supply chain and finance. The implementation presents an economical and efficient method for reaching out to a large targeted audience, thereby uncovering more opportunities for business growth.

SUSTAINABILITY REPORT

Other benefits, amongst others, include improved real-time interaction with customers, generating accurate and valuable insights, better inventory management, accessing new customer segments, higher productivity, and better resource allocation. It has become easier and more efficient for the system users to collect data from all departments of different regions within the Group. This has helped to streamline business operations by delivering competent and relevant solutions to customers' enquiries, resulting in higher rates of closing deals. By having an improved macro view of the pending order list from the system, this will enhance effective forecasting and further promote efficient business decisions.

We aim to complete the full migration of the entire Group's operation system to the ERP by 2022.

Through our digitalisation efforts to tackle the B2C market segment, we have also, set up our e-shop in a bid to reach out to more industries and consumers with our wider range of consumer-centric products, which complements our B2B business.

Environmental protection

Along with the development of its wastewater treatment solution systems, and distribution of the HEIQ Viroblock in a post pandemic world, the Group continued its efforts with **Megapro ECO®**, a system which eliminates the need for salt in exhaust dyeing of cellulosics. During the year, it commenced marketing with its global strategic brands and business partners with the aim to become the first player in the industry with this innovation. **Megapro ECO®** can potentially impact up to 50% of global demand for lifestyle comfort wear.

This is a meaningful environmental revolution which Matex is very excited to be a part of. Matex is currently working closely with its global strategic brands, partners and customers to swiftly implement the system in view of the pressing issues of climate change and to achieve the following UN Sustainable Development Goals ("**SDGs**"):

- *GOAL 3: Ensure healthy lives and promote well-being for all at all ages*
- *GOAL 6: Ensure availability and sustainable management of water and sanitation for all*
- *GOAL 11: Make cities and human settlements inclusive, safe, resilient and sustainable*
- *GOAL 12: Ensure sustainable consumption and production patterns*

The SDGs define global sustainable development priorities and aspirations for **2030** and seek to mobilise global efforts around a common set of goals and targets. The SDGs call for worldwide actions among governments, businesses and civil society to end poverty and create a life of dignity and opportunity for all, within the boundaries of the planet.

In addition, the Group's products have been approved by **Intertek's Green Leaf Mark Environmental Certification**, which places strong emphasis on the ban of hazardous Azo Dyes and effects limits on extractable heavy metal content.

SUSTAINABILITY REPORT

The Group is committed to sustainable environmental practices, which plays a critical role in preserving, protecting and improving the environment. It will nevertheless endeavour to seek ways to improve its environmental protection capabilities.

We look to further improve and streamline our current certification plans in 2022 with ZDHC, and link up our current Bluesign® System and OEKO-TEX® ECO PASSPORT certifications with ZDHC and provide marketing transparencies of our products for our global customers.

Community investment

The Group believes corporate social responsibility ("**CSR**") should also include giving back to the community. It continues to participate in various projects to support education, employability as well as uplifting social causes.

Continuing our efforts as a responsible global corporate citizen, we actively champion a growing range of diverse programmes and initiatives to give back to society as part of our ongoing CSR initiatives. Some of the highlights in 2021 include:

(1) Collaborating with Chrisal S.E Asia to dispatch to various social enterprises, eldercare residences, homes, community centres, charities and religious organisations our latest range of **Probiotic and Prebiotic Solutions**.

We sincerely hope to continue our outreach to raise awareness on the need for better cleaning as well as to share hygiene solutions that more effective at reducing the built-up of antimicrobial resistance ("**AMR**"). Having to thoroughly clean and deep clean with existing disinfectant solutions can inherently lead to more severe underlying problems later.

Restoring confidence, protecting the vulnerable and building growth resilience are strong and meaningful pillars to give back to these communities.

(2) Releasing its **2021 Communication on Progress Report** ("**COP**") on the UN Global Compact Website. We are constantly on the lookout for more efficient ways to reduce our impact on the environment such as lowering carbon emissions and improving energy efficiencies in our daily operations.

(3) Continuing to pledge its commitment to Fair Employment Practices under the framework of **Tripartite Alliance for Fair & Progressive Employment Practices ("TAFEP")** organised and endorsed by Ministry of Manpower of Singapore, National Trade Union Congress and Singapore National Employers Federation.

SUSTAINABILITY REPORT

(4) Collaborating with Singapore University of Technology & Design (**SUTD**) DYNAMIC ASSEMBLIES LAB again in the Knit Color Relief installation using **Megafix ECO® Dyes at the 4th ART ENCOUNTERS @ MILLENIA WALK, SINGAPORE.**[1]

First launched during Singapore Art Week 2020, Art Encounters is a presentation series capturing the art-making process within repurposed shipping containers, designed to travel to unique sites around Singapore. Now in its fourth edition, Art Encounters arrives at Marina Central with an array of activities across the precinct focused on the diversity of textile art. It reflects on the relationship with nature and the distance between our ideals and actions.

The fabrics are knitted on a Shima Seiki computer numerical control (CNC) knitting machine and the complex colours are achieved by knitting discrete blue, yellow, black, grey and white yarns with **Matex's award-winning Megafix ECO®** colours using algorithms developed in SUTD. The multi-layered photograph and the variable spirals are knitted using algorithms that carefully control the placement of the knitted loops to create morphing geometries and perspective tricks, while the vegetation is knitted using an algorithm that randomly introduces defects that the knitting machine tries to self-correct.

(5) Invited by Global Compact Network Singapore (GCNS) to a special edition Singapore Sustainability PodCast on "Building Better Businesses: Stories of Decisive Action"! Matex's Megapro® ECO: A Better Way To Dye!

Together with MullenLowe Singapore, in the episode on #sustainablefashion, Mr Dro Tan, Executive Director of Matex, shared on Matex's environmentally-friendly textile dyeing process and how Matex weaved sustainability into its business operations through Megapro® ECO. Mr Dro Tan also shared the challenges Matex faced while creating this sustainable textile-dying process system, how the challenges were overcome, and the impact Matex has driven thus far.

Listen now: https://bit.ly/buildingbetterbusinesses

(6) Working with **Singapore Management University (SMU)** | BFI@SMU | to conduct a Masterclass titled: Innovation through Co-Creation.[2]

Matex was invited to participate in BFI@SMU Masterclass with topic on 'Innovation through Co-Creation' as a live case study to explore into the challenges and strategies for innovating in family business.

[1] http://matex.com.sg/en/news_2021/news_items/122

[2] http://matex.com.sg/en/news_2021/news_items/117

SUSTAINABILITY REPORT

Family businesses need to constantly innovate to build a lasting legacy. However, innovation is not the result of any individual genius, but a co-creative journey involving multiple stakeholders. As stewards to the family and the business, the next generation faces unique challenges as they orient to a new future while preserving their family roots.

The main speakers of the Masterclass were Professor Kenneth Goh (Academic Director, Business Families Institute, Singapore Management University, and Assistant Professor of Strategic Management, Lee Kong Chian School of Business) and Mr Dro Tan (Executive Director of Matex International Limited).

(7) **Matex pioneers in "LowCarbonSG" by GCNS**[3]

In support of the Singapore Green Plan 2030, "LowCarbonSG" aims to demystify the decarbonisation process for businesses in their transition towards lower carbon operations and investments. The programme is meant to help businesses build the habit of measuring, tracking, and reporting their carbon footprint through capacity-building and recognition efforts.

"LowCarbonSG" is helmed by Carbon Pricing Leadership Coalition (CPLC) Singapore, the decarbonisation arm of Global Compact Network Singapore (GCNS), and supported by the National Environment Agency (NEA) and Enterprise Singapore (ESG) and Matex is honoured to be a pioneer participant in this event.

(8) **SDC 2021 Singapore Regional Heat**

Returning after a year's long pause due to the COVID-19 in 2020. We were delighted to resume our long-standing work with the local design and fashion schools in our 2021 edition of the Society of Dyers and Colourists (SDC) Singapore Regional Heat.

Amid more than 100 entries, Ms. Choi Nakyeong, a student from the Raffles Design Institute, took first place at the Singapore heat of the International Design Competition with her winning piece inspired from the planet "Mercury" with her interesting take and unique colour combinations of the planet, based on this year's "Colour and the Universe" theme. She then represented Singapore for the Online Grand Final in November 2021.

We will continue to look out for suitable opportunities to be actively involved in the communities we touch in 2022.

[3] https://unglobalcompact.sg/lowcarbonsg

SUSTAINABILITY REPORT

GOVERNANCE

Corporate governance

To ensure the independence and transparency of the Board, as well as to safeguard stakeholders' interest and maximising their long-term values, the Group continuously updates and improves the Company's policies and procedures.

For the financial year ended 31 December 2021, the Company has generally adhered to the framework as set out in the Singapore Corporate Governance Code 2018 issued on 6 August 2018.

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

We are committed to continue to maintain the high standards of our corporate governance.

CORPORATE GOVERNANCE REPORT

The board of directors (the "**Board**") and the management (the "**Management**") of Matex International Limited (the "**Company**") and its subsidiaries (the "**Group**") are committed to achieving high standards of corporate governance to ensure investor confidence in the Group as a trusted business enterprise. The Board and the Management of the Company continues to uphold good corporate governance practices to enhance long-term sustainability of the Group's business, performance, and shareholders' interest.

This Report describes the Group's corporate governance structures and practices adopted by the Group for financial year ended 31 December 2021 ("**FY2021**"), with specific reference made to the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**") and accompanying Practice Guidance issued in August 2018, which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited's ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**")

The Board is pleased to confirm that for FY2021, the Group has adhered to the principles and provisions as set out in the Code.

A. BOARD MATTERS
B. REMUNERATION MATTERS
C. ACCOUNTABILITY AND AUDIT
D. SHAREHOLDER RIGHTS AND ENGAGEMENT
E. MANAGING STAKEHOLDERS RELATIONSHIP

A. BOARD MATTERS

The Board's Conduct of its 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. – Principal Duties of the Board

The Board assumes responsibility for stewardship of the Company and the Group and is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders. It has oversight responsibility over the management of the business and affairs of the Group. The Board also sets the tone for the Group where ethics and values are concerned.

The Company is headed by an effective Board of five (5) Directors (the "**Directors**"), comprising two (2) executive Directors ("**Executive Directors**") and three (3) independent and non-executive Directors (the "**Independent Directors**") (including the Chairman). Together, the Directors have a wide range of business, legal and financial experience that collectively contribute to the success of the Group. The Board oversees the business activities, overall management, formulate strategic direction and performance of the Group and is primarily responsible for the protection and enhancement of long-term value and returns for shareholders.

CORPORATE GOVERNANCE REPORT

Besides its statutory responsibilities, the Board also:

1. provides leadership and guidance on the overall strategic direction, oversees the proper conduct of the business, performance and affairs of the Group and ensures that the necessary financial, human and operational resources are in place for the Group to meet its objectives;

2. sets objective performance criteria to evaluate the Board, individual Directors and Board Committees' performance and succession planning process;

3. reviews the adequacy and effectiveness of the Group's risk management and internal controls framework including financial, operational, compliance and information technology controls and establishing risk appetite and parameters to safeguard shareholders' interests and the Group's assets;

4. reviews and approves key operational and business initiatives, major funding proposals, significant investment and divestment proposals and other corporate actions and strategic initiatives proposed by Management;

5. reviews the Group's operating and financial performance and approves the Group's annual budgets and capital expenditure and the release of the Group's half year and full year financial results;

6. approves all Board appointments/re-appointments and appointment of Chief Executive Officer and Managing Director ("**CEO&MD**") and other persons having authority and responsibility for planning, directing and controlling the activities of the Company ("**Key Management Personnel**" or "**KMP**"), evaluates their performance and reviews their remuneration packages;

7. establishes goals and priorities for Management and reviews Management's performance by monitoring the achievement of these goals;

8. approves the nominations for the Board by the Nominating Committee;

9. reviews recommendations made by the Audit Committee on the appointment, re-appointment or removal of Group Chief Financial Officer, external and internal auditors;

10. reviews recommendations made by the Remuneration Committee and approves the remuneration packages for the Board and KMP;

11. identifies the key stakeholder groups and recognises that their perceptions affect the Company's reputation;

12. sets the Company's values and standards (including ethical standards), and ensures that obligations to shareholders and other stakeholders are understood and met; and

13. considers sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

CORPORATE GOVERNANCE REPORT

Independent Judgement

All Directors exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group. The Directors on the Board have the appropriate core competencies and diversity of experience that enable them to contribute effectively. They are able to objectively raise issues and seek clarification as and when necessary from the Board and the Management on matters pertaining to their area of responsibilities and actively help the Management in the development of strategic proposals and oversees the effective implementation by the Management to achieve the objectives set. The Board puts in place a code of conduct and ethics, set appropriate tone-from-the-top and desired organisation culture and ensure proper accountability within the Company.

Conflicts of Interest

Every Director of the Company is required to disclose any conflict or potential conflicts of interest, whether direct or indirect, 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/her associates for the purpose of monitoring interested persons transactions. When there is an actual or potential conflicts of interest, the concerned Director shall, abstain from voting, and recluse himself from discussions and decisions involving the issues of conflict.

Sanctions-related risks

In view of recent geopolitical developments, while the Company is currently not subject to any sanctions-related laws, the Board and the Audit Committee will continue to monitor such developments and assess the Company's risk of becoming subject to, or violating, any sanctions law. The Board and the Audit Committee will also ensure timely and accurate disclosure to the SGX-ST and other relevant authorities on such risks where applicable, and if deemed necessary, engage relevant professional advisers to assist them in such matters.

Provision 1.2 – Directors' Orientation and Training

All newly-appointed Directors attend an orientation programme to familiarise themselves with the Group's business, operations and governance practices. The Board of Directors have the opportunity to visit the Group's China plants and meet with the Management to gain a better understanding of the Group's business operations.

In addition, Directors are provided with the contact numbers and email addresses of key executives, the Company Secretary and Auditors to facilitate efficient and direct access. To keep pace with a fast-changing regulatory environment, the Board is kept informed of any relevant changes to legislation and regulatory requirements. As and when required, Directors and Management also attend courses to keep abreast of changes in regulatory and governance requirements that are relevant to the Group. The Board values ongoing professional development and recognises the importance of continuous and regular trainings for Directors to enable them to continue to serve effectively on the Board.

CORPORATE GOVERNANCE REPORT

The Board as a whole is updated regularly on risk management, corporate governance, insider trading (if any) and key changes to the relevant regulatory requirements and financial standards, so as to enable them to properly discharge their duties as Board or Board Committee members. Our Independent Directors are also engaged full time in their respective profession, keeping them updated in their fields of knowledge.

During FY2021, the Company's external auditor, Moore Stephens LLP ("**External Auditor**") briefed the Audit Committee and the Board on the developments in financial reporting and governance standards.

Provision 1.3 – Board Approval

The Group has adopted internal guidelines governing matters that require the Board's approval which has been clearly communicated to the Management.

The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those prescribed limits to Board Committees and specific members of the KMP via a structured Delegation of Authority matrix, which is reviewed on a regular basis and revised accordingly when necessary.

The matters which require Board's approval include:

- material acquisition and disposal of assets/investments;
- corporate/financial restructurings or corporate exercise;
- incorporation of new entities;
- issuance of shares, declaration of dividend and other returns to shareholders;
- risk appetite and risk tolerance for the different categories of risk;
- nomination of Directors and KMP;
- matters as specified under the SGX-ST's interested person transaction policy;
- announcement of the Group's half year and full year results and the release of the annual reports; and
- any other matters as prescribed under the relevant legislations and regulations, as well as the provisions of the Company's Constitution.

CORPORATE GOVERNANCE REPORT

Provision 1.4 – Delegation by the Board to Board Committees

To assist in the execution of its responsibilities, the Board had established 3 Board Committees. The Committees are the Audit Committee ("**AC**"), Nominating Committee ("**NC**"), and Remuneration Committee ("**RC**") (Collectively, the "**Board Committees**") and delegates specific areas of responsibilities to these Board Committees. Each of these Board Committees functions within clearly written terms of reference ("**TOR**"), setting out their compositions, authorities and duties, which have been approved by the Board. The effectiveness of each committee is also constantly being monitored. The composition of the Board Committees for FY2021 is tabulated below:

	Board Committees		
Directors	**AC**	**NC**	**RC**
John Chen Seow Phun ("**Dr John Chen**")	Chairman	Member	Member
Alex Tan Pang Kee ("**Dr Alex Tan**")	–	–	–
Dro Tan Guan Liang	–	–	–
Foo Der Rong	Member	Chairman	Member
Wang DaoFu	Member	Member	Chairman

The Board Committees have the delegated power to deliberate any issue that arises in their specific areas of responsibilities within their respective TOR and report to the Board with their decisions and/or recommendations. The ultimate responsibility and authority for the decisions and actions on all matters rest with the Board. Each Board Committee's activities and roles are elaborated further in provisions 4.1, 6.1 and 10.1.

Provision 1.5 – Board Meetings and Attendance
Provision 1.6 – Access of Information

The Board and Board Committees meet regularly and whenever necessary to discharge their duties. When required, the Board also sets aside time at the scheduled meetings to meet without the presence of Management. An annual schedule of Board and Board Committee meeting dates is set by the Directors in advance.

Ad-hoc meetings are convened when required to address any significant issues that may arise in between scheduled meetings. Where physical meetings are not possible, timely communication with members of the Board and the Board Committees is achieved through electronic means and circulation of written resolutions for approval by the Board or the relevant Board Committees. The Company's Constitution ("**Constitution**") provides that the Directors may conduct meetings by means of telephone or video conference or other methods of simultaneous communication.

CORPORATE GOVERNANCE REPORT

All draft agendas for meetings are reviewed by the Chairman of the Board and the Chairman of the respective Board Committees. Papers and/or other information are forwarded to the Directors before each meeting for their review and perusal. Members of Management are invited to attend the meetings to present information and/or render clarification when required. However, sensitive matters may be tabled or discussed at Board meetings without any board papers distributed. Board and Board Committees papers are provided electronically and can be accessed via tablet devices.

Presentations are also made by the senior executives on the performance and strategies of the Group's various businesses at these meetings. This allows the Board to have a good understanding of the Group's operations and be actively engaged in robust discussions with the Group's senior executives.

Directors are entitled to request for further explanation, briefings or discussions on any aspect of the Group's operations or business from Management. As and when required, Board members meet to exchange views outside the formal environment of Board meetings. The number of meetings held by the Board and Board Committees and attendance records taken during FY2021 are as follows:

	Board Meetings		Nominating Committee Meeting		Remuneration Committee Meeting		Audit Committee Meetings		General Meetings	
Name of Director	**No. Held**	**No. Attended**	**No. Held**	**No. Attended**	**No. Held**	**No. Attended**	**No. Held**	**No. Attended**	**No. Held**	**No. Attended**
Dr John Chen	2	2	1	1	1	1	2	2	2	2
Dr Alex Tan	2	2	1	1*	1	1*	2	2*	2	2
Dro Tan Guan Liang	2	2	1	1*	1	1*	2	2*	2	2
Foo Der Rong	2	2	1	1	1	1	2	2	2	2
Wang DaoFu	2	2	1	1	1	1	2	2	2	2

* By Invitation

Provision 1.7 – Independent Access to Management and Company Secretary

The Board has separate and independent access to the Management and the Company Secretary and where required, can obtain additional information to facilitate informed decision-making. Information includes background or explanatory materials related to matters to be reviewed and matters under review by the Board, copies of disclosure documents, budgets, forecasts and internal financial statements. Any material variance between the projections and actual results in respect of budgets, is also disclosed and explained.

Minutes of all Board Committee meetings are circulated to the Board so that Directors are aware of and kept updated as to the proceedings and matters discussed during such meetings.

The Company Secretary attends Board and Board Committees meetings and is responsible for ensuring that Board procedures are observed and that applicable rules and regulations are complied with. The Company Secretary also periodically updates the Board on relevant regulatory changes affecting the Company. The appointment and removal of the Company Secretary are subject to the approval of the Board.

CORPORATE GOVERNANCE REPORT

Access to independent professional advice at the Company's expense

The Company has in place the procedure to enable the Directors, whether as a group or individually, to obtain independent professional advice at the Company's expense as and when necessary in the furtherance of their duties. Independent advisors include, *inter alia*, legal, financial, tax, board compensation and M&A functions. The appointment of such professional advisor is subject to the approval of the Board.

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***

Board Composition and Balance

Provision 2.1 – Board Independence
Provision 2.2 & 2.3 – Proportion of Non-Executive and Independent Directors
Provision 2.4 – Board Composition & Diversity
Provision 2.5 – Meetings of Non-Executive Directors and Independent Directors

The Board presently comprises five (5) Directors, three (3) of whom (Including the Chairman) are Independent Directors and two (2) are Executive Directors. Majority of the Board is made up of Independent Directors, which is in compliance with the Code and Catalist Rule 406(5)(c). The composition of the Board is as follows:

Dr John Chen Seow Phun	(Chairman, Independent and Non-Executive Director)
Dr Alex Tan Pang Kee	(Chief Executive Officer and Managing Director)
Mr Foo Der Rong	(Independent and Non-Executive Director)
Mr Wang DaoFu	(Independent and Non-Executive Director)
Mr Dro Tan Guan Liang	(Executive Director)

The NC reviews annually the independence of each Director by taking into account the existence of relationships or circumstances, including those provided in the Code. Every Independent Director is required to complete a confirmation of independence form drawn up based on Principal 2 of the Code for the NC to review and recommend to the Board.

Taking into consideration the foregoing, Dr John Chen, Mr Foo Der Rong and Mr Wang DaoFu, (who form the majority of the Board) have confirmed their independence.

After due consideration, (with each Independent Director abstaining from the discussion and decision-making process with respect to his independence), the NC has determined that each of the Independent Directors has demonstrated independence in character and judgement in the matter in which he has discharged his responsibilities as a director of the Company.

Taking into account the views of the NC and the annual confirmation from the Independent Directors, the Board considers each of the Independent Directors to be independent.

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The Company recognises that Independent Directors may over time develop significant insights in the Group's business and operations and can continue to provide noteworthy and valuable contribution objectively to the Board as a whole. The independence of the Independent Directors must be based on the substance of their professionalism, integrity, and objectivity, and not merely based on form; such as the number of years which they have served on the Board.

The dates of initial appointment and last re-election of each Director are set out below:

Name of Director	Position	Date of Initial Appointment	Date of last re-election
Dr John Chen	Chairman and Independent and Non-Executive Director	11 July 2003	28 April 2021
Dr Alex Tan	Chief Executive Officer and Managing Director	23 March 1990	29 April 2019
Mr Foo Der Rong	Independent and Non-Executive Director	10 May 2016	28 April 2021
Mr Wang DaoFu	Independent and Non-Executive Director	11 January 2017	29 June 2020
Mr Dro Tan Guan Liang	Executive Director	1 March 2010	29 June 2020

The NC noted that none of the Independent Directors, save for, Dr John Chen, has served on the Board for 9 or more years from the date of his first appointment. The NC noted that Dr John Chen's long and commendable role on the Board as an Independent Director and as Chairman of the AC and Member of the NC and RC in discharging his duties professionally, ethically and with integrity.

The NC also established that Dr John Chen is independent of management and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company and the following factors were evaluated for this purpose:

a. he is not an Executive Director of the Company or any related corporation of the Company;

b. he is not a 5% shareholder of the Company;

c. he does not have an immediate family member who is or has been in the past three financial years, employed by the Company or an of its related corporations and whose remuneration is determined by the RC;

d. he (including his immediate family member) has not accepted any significant compensation from the Company or any of its related corporations for the provisions of services, for the current or immediate past financial year other than compensation for board services;

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e. he (including his immediate family member) has not, in the current or immediate past financial year provided or received from the Company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting, and legal services), other than compensation for board service. As a guide, payments aggregated over any financial year in excess of S$50,000 should be deemed significant;

f. he (including his immediate family member) in the current or immediate past financial year not a substantial shareholder/partner/executive officer of/director of any organisation which provided to or received from the Company or its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services);

g. he is not a family member of any Executive Director, officer or 5% shareholder of the Company;

h. he is not acting as a nominee or representative of any Executive Director or 5% shareholder of the Company;

i. he provides and enhances the necessary independence and objectivity of the Board;

j. he helps to ensure effective checks and balances on the Board;

k. he helps to mitigate any possible conflicts of interest between the policy-making process and the day-to-day management of the Company;

l. he constructively challenges and contributes to the development of business strategy of the Company; and

m. he helps to ensure that adequate systems and controls are in place to safeguard the interests of the Company.

Having considered the above, the NC has determined that Dr John Chen has demonstrated strong independence in character and judgement over the years in discharging his duties and responsibilities as an Independent Director. His continued presence as an Independent Board member will ensure best practices being followed and provide effective oversight and compliance to good corporate governance.

Accordingly, the NC had recommended to the Board that Dr John Chen continues to be considered independent, notwithstanding he has served on the Board for more than nine years from the date of his first appointment. Dr John Chen, being a NC member, abstained from any discussion and voting on the matter. The Board had concurred with the NC's assessment.

The Company had adopted the two-tier voting process ahead of the Catalist Rule 406(3)(d)(iii) which came into effect on 1 January 2022, and Dr John Chen had voluntarily offered himself to be subject to the two-tier voting process in the last Annual General Meeting ("**AGM**") held on 28 April 2021 and was approved by shareholders for his re-election as Independent Director.

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The Board is committed towards building diversity amongst its members, taking initiatives to select and appoint suitably qualified persons as Directors regardless of gender, age, ethnicity, religion or other dimensions of diversity. The Board and Board Committees are made up of high caliber leaders whose diverse expertise and experience in accounting & finance, strategic planning, human resource management, business and management, legal and regulatory, and industry knowledge. This combination provides core competencies necessary to lead and govern the Group effectively. The Directors' objective judgment, collective experience and knowledge are invaluable to the Group and this allows the useful exchange of ideas and views.

The NC reviews the size and composition of the Board and Board Committees of the Company to ensure that the size of the Board and Board Committees are conducive for effective discussions and decision-making and that the Board and Board Committees have the appropriate mix of skills, knowledge and experience as well as an appropriate balance of Independent Directors. The NC, with the concurrence of the Board and Board Committees, consider their current board size appropriate for effective decision-making, taking into account the scope and nature of the Group's operations.

The Independent and Non-Executive Directors exercise objective judgment on the Group's affairs independently from Management. The Independent and Non-Executive Directors also contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternate perspectives to the Group's business. When challenging Management's proposals or decisions, they bring independent judgment to bear on business activities and transactions that involve conflicts of interest and other complexities. The Independent and Non-Executive Directors also meet without the presence of Management to facilitate more open discussions.

Chairman and Chief Executive Officer & Managing Director ("CEO&MD")

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 and 3.2
Separation of the role of Chairman and CEO&MD

The Board is chaired by Dr John Chen, an Independent and Non-Executive Director. Dr Alex Tan Pang Kee, the Chief Executive Officer and Managing Director, is assisted by the Management.

There is a clear separation of responsibilities between the Chairman and the CEO&MD, so as to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman and the CEO&MD are not related to each other.

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The responsibilities of the Chairman are as follows:

- Leading the Board in a strategic effective and decisive way;
- Setting the agenda and ensuring adequate time is available to discuss all agenda items, in particular, strategic issues;
- Ensuring that the Board is properly organised, functioning effectively and meeting its obligations and responsibilities;
- Promoting a culture of openness and debate within the Board;
- Ensuring that the Directors receive complete, adequate and timely information;
- Encouraging constructive relationships within the Board and between the Board and Management;
- Ensuring effective communication with the shareholders and stakeholders;
- Ensuring Non-Executive and Independent Directors contribute effectively and their contributions are taken into account by the Board; and
- Promoting high standards of corporate governance.

The responsibilities of the CEO&MD are as follows:

- Developing, with the Board, a consensus for the Company's vision and mission;
- Making strategic proposals for the Company and the Group to the Board;
- Overseeing the implementation and execution of the Board's strategies and policies;
- Assuming the executive responsibility to the day-to-day management of the Company, with the support of the management; and
- Ensuring that the Board is informed about the Company's key activities and issues.

Provision 3.3 – Lead Independent Director

Given the Chairman's independence, separation of roles between the Chairman and CEO&MD, and a majority of independence on the Board, the Board is of the view that there are adequate safeguards and checks in place to ensure the objective assessment of the Group's ongoing affairs. The current structure also facilitates a decision-making process by the Board that is based on the collective decision of all Directors, without any concentration of power or influence residing in any one individual. In view of this, the appointment of a Lead Independent Director is not considered by the Board to be necessary.

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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.***

Provisions 4.1 & 4.2 – Nominating Committee Composition and Role

Nominating Committee ("NC")

The Company has established the NC in April 2004 which comprises three (3) Non-Executive and Independent directors, all of whom including the Chairman of the NC are independent. Please refer to Provision 1.4 above on the names of the members and the composition of the NC.

The NC, which has written the TOR, is responsible to establish a formal and transparent process for the appointment of new directors and the re-appointment of Directors retiring by rotation, as well as to assess the effectiveness of the Board and the overall contribution of each Director towards the effectiveness of the Board.

The NC's responsibilities include the following:

(a) to make recommendations to the Board on all Board appointments, and re-appointment of Directors or alternate Directors (if any), having regard to that Director's contribution and performance (e.g. attendance, preparedness, participation and candour) where applicable;

(b) to ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;

(c) to review succession plans for Directors, in particular, the appointment and/or replacement of the Executive Chairman, the CEO and KMP;

(d) to review the size and composition of the Board with the objective of achieving a balanced board in terms of the mix of experience and expertise;

(e) to decide on how the Board's performance may be evaluated and recommend objective performance criteria for the Board's approval;

(f) to assess the effectiveness of the Board as a whole, and the contribution by each Director to the effectiveness of the Board;

(g) to review and make recommendation to the Board on training and professional development programs for the Board and its Directors; and

CORPORATE GOVERNANCE REPORT

(h) to ensure complete disclosure of key information of Directors in the Company's annual reports as required under the Code;

(i) to review the independence of the Directors annually; and

(j) to carry out such other duties as may be agreed to by the NC and the Board.

Provision 4.3 – Reviewing and recommending nomination for re-appointment of Directors

Pursuant to Catalist Rule 720(4) and the Company's Constitution, all Directors are required to submit themselves for re-nomination and re-election at least once every 3 years; and at least one-third of the Directors for the time being to retire from office by rotation. New Directors appointed during the year are subject to retirement and re-election at the following AGM of the Company.

Dr Alex Tan and Mr Wang DaoFu are subject to re-nomination and re-appointment pursuant to Catalist Rule 720(4) and Article 89 of the Company's Constitution respectively at the forthcoming AGM of the Company. The two Directors, being eligible, had consented to continue in office and would seek re-nomination at the forthcoming AGM.

Each of these Directors, being interested in the matter, had abstained from all discussions and recommendations in respect of their own re-election. Mr Wang DaoFu is considered independent pursuant to Catalist Rule 704(7).

Having regard to the above and taking into consideration the retiring Directors' attendance, participation and contribution to the business and operations of the Company as well as Board processes, the NC had recommended their nominations for re-election at the forthcoming AGM of the Company. The Board concurred with the NC's recommendation.

Under the Catalist Rule 406(3)(d)(iii) which came into effect on 1 January 2022, the appointment of Independent Directors who have served an aggregate period of more than nine years will be subject to a two-tier voting process to be approved by the majority of (i) all shareholders and (ii) all shareholders, excluding shareholders who also serve as Directors or the CEO (and their associates). The two-tier voting process will be valid for a term of the Independent Director appointment (up to three years).

Dr John Chen had voluntarily offered himself to be subject to the two-tier voting process. The Company adopted the two-tier voting process ahead of the Catalist Rule 406(3)(d)(iii) which came into effect on 1 January 2022 and tabled the respective resolutions proposing the re-election and continued appointment of Dr John Chen as Independent Director at the AGM held on 28 April 2021 and the shareholders has approved the same during the AGM held on 28 April 2021.

In the event that there is a need to change the structure of the Board, the chairmanship of the Company or the membership of the Board Committees, the NC will review the proposed changes and will make the appropriate recommendations to the Board.

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In this regard, the NC will, in consultation with the Board and the Company's professional advisors, examine the existing strengths, and capabilities of the existing Board and the KMP. In addition, the NC will also consider the contributions (such as the skills, knowledge and experience) of the existing Directors and the KMP as well as taking into account the future needs of the Company. Through this process, the NC, together with the Board, may seek new candidates, either through recommendations made by existing Directors or through the Company's professional advisors, who are able to contribute to the Company.

Once the appropriate candidates have been identified, at least two members of the NC will conduct interviews with the potential new Director or KMP before recommending their appointments to the Board for approval. If the proposed appointments are approved by the Board, announcements relating to their appointment will subsequently be released via SGXNet.

To ensure that the new Directors are aware of their duties and obligations, a formal letter of appointment explaining their duties and obligations as Director is provided to every new Director upon appointment. The formal letter of appointment sets out the time commitment required of the Director and the Director's roles and responsibilities, including disclosure requirements and best practices relating to dealings in securities under applicable laws and regulations.

Information regarding the Directors nominated for re-appointment, including the information required under Appendix 7F of the Catalist Rules, is given in the "Board of Directors" section, pages 59 to 64 of this Annual Report.

Provision 4.4 – Continuous review of Director's Independence

The NC is guided by the definition and criteria of independence given in the Code in determining if a Director is independent.

The NC has annually, and as and when circumstances required, determined if a Director was independent pursuant to the circumstances set forth in Provision 2.1 and any other salient factors of the Code. Any Director who has served on the Board beyond nine years from the date of his first appointment is subject to particularly rigorous review by the NC. In this regard, Dr John Chen has served on the Board for 9 or more years from the date of his first appointment, and accordingly, with the disclosures in Principle 2, the NC is of the view that Dr John Chen continues to be appointed as an Independent Director.

Each Independent Director is required to complete a Confirmation of Independence form drawn up based on the Principle 2 of the Code for the NC's review and recommendation to the Board.

The Board concurred with the NC's view that the three (3) Independent Directors are independent in character and judgement and there were no circumstances which would likely affect or appear to affect their judgement.

During FY2021, there was no appointment of alternate Directors on the Board.

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Provision 4.5 – Directors' Commitments

Where a Director has multiple Board representations, the NC will determine if the Director has been able to devote sufficient time and attention to the Company's affairs and if he has been adequately carrying out his duties as a Director. The recommendation of the NC for the nomination of a Director for re-election is then made to the Board. The Board will review this recommendation.

The NC is of the view that the number of directorships a Director can hold and his principal commitments should not be prescriptive as the time commitment for each board membership may vary. The NC will review the number of listed company board representations which each Director holds on an annual basis or from time to time when the need arises. In this respect, the NC believes that it would not be necessary to prescribe a maximum number of listed company board representations a Director may hold. The Board affirms and supports this view.

During the year, the NC had reviewed the directorships and principal commitments disclosed by each Director and was of the view that the existing directorships and principal commitments of the respective Directors have not impinged on their abilities to discharge their duties. The Board concurred with the NC.

The table below – Key Information of Directors, also shows the disclosure of directorships and chairmanships held over the preceding three years in other listed companies as well as other principal commitments of each respective Director:

Key Information of Directors

Name of Director	Academic & professional qualifications	Board Committee as chairman or member	Directorship: Date of first appointment/ Date of last re-election	Board appointment whether executive or non-executive	Due for re-election at forthcoming AGM	Past Directorships in other listed companies and other major appointments over the preceding three years	Present Directorships in other listed companies and other major appointments
Dr John Chen	Doctor of Philosophy degree in Electrical Engineering	Chairman: AC Member: NC & RC	11 July 2003/ 28 April 2021	Non-executive/ Independent	N/A	• Exeterstar Holdings Pte Ltd • MHC Asia Holdings Pte Ltd	• OKP Holdings Ltd • Hiap Seng Engineering Ltd • Hanwell Holdings Ltd • Tat Seng Packaging Group Ltd • HLH Group Ltd • Fu Yu Corporation Ltd • Pavillon Holdings Ltd • JLM Foundation Ltd • Pavillon Financial Leasing Co. Ltd • Pavillon Business Development (Shanghai) Co. Ltd • Fengchi IOT Management Co., Ltd • SAC Capital Pte Ltd

CORPORATE GOVERNANCE REPORT

Name of Director	Academic & professional qualifications	Board Committee as chairman or member	Directorship: Date of first appointment/ Date of last re-election	Board appointment whether executive or non-executive	Due for re-election at forthcoming AGM	Past Directorships in other listed companies and other major appointments over the preceding three years	Present Directorships in other listed companies and other major appointments
Dr Alex Tan	Doctor of Philosophy in Business Administration	N/A	23 March 1990/ 29 April 2019	Executive	29 April 2022	Nil	Nil
Mr Dro Tan Guan Liang	Master in Architecture & Minor in Technopreneurship	N/A	01 March 2010/ 29 June 2020	Executive	N/A	Nil	Nil
Mr Foo Der Rong	Bachelor of Commerce Degree	Chairman: NC Member: RC & AC	10 May 2016/ 28 April 2021	Non-executive/ Independent	N/A	• At-Sunrice GlobalChef Academy Pte Ltd • Aedge Group Limited • Aedge Holdings Pte Ltd • Pavillon Holdings Ltd.	• Southern Lion Sdn Bhd • Noel Gifts International Ltd • Tian International Pte Ltd • SLB Development Ltd
Mr Wang DaoFu	Bachelor of Laws	Chairman: RC Member: NC & AC	11 January 2017/29 June 2020	Non-executive/ Independent	29 April 2022	• Dazhou Commercial Bank • TH Straits 2015 Pte Ltd	• Poceq Trading (Shanghai) Co. Ltd • SGD Investment Pte Ltd • MOBO Information Technology Pte Ltd • Sunpower Group Ltd

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 – Performance Criteria and Evaluation
Provision 5.2 – Assessment of the Board, Board Committees and Directors

Based on the recommendation by the NC, the Board has established processes and objective performance criteria for evaluating the effectiveness of the Board as a whole and the effectiveness of the individual Director. Such processes are aimed to assess whether each Director continues to contribute effectively and demonstrate commitment to the role.

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In evaluating the Board's performance, the NC considers a set of quantitative and qualitative performance criteria. The performance criteria for the Board evaluation are in respect of board size and composition, board process, board information and accountability, board performance in relation to discharging its principal functions and responsibilities and financial targets. The individual Directors' performance criteria were in relation to their industry knowledge and/or functional expertise, contribution and workload requirements, sense of independence and attendance at the board and committee meetings.

The NC evaluated the performance of the Board as a whole taking into consideration the Board's discharge of its principal responsibilities and Board's deliberation of Company's long-term strategy. The NC considered the Board's performance to be satisfactory. The Board concurred with the NC's recommendation.

B. 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 KMP. No Director is involved in deciding his or her own remuneration.*

Provision 6.1 and 6.2 – Remuneration Committee Composition and Role
Provision 6.3 – Reviewing of Remuneration Terms
Provision 6.4 – Remuneration Consultants

Remuneration Committee ("RC")

The Board established the RC in April 2004 which comprises three (3) Non-Executive and Independent Directors, all of whom including the Chairman of the RC are independent. Please refer to Provision 1.4 above on the names of the members and the composition of the RC.

The members of the RC carried out their duties in accordance with the TOR, which include the following:

(a) to review and make recommendations to the Board on the framework of remuneration for the Board and KMP;

(b) to make recommendations to the Board on the specific remuneration packages for each Executive Director and Managing Director (or executive of equivalent rank) of the Company;

(c) to review all benefits (including share schemes) and compensation packages for Directors of the Company;

(d) to report to the Board on its activities and proposals; and

(e) to carry out such other duties as may be agreed to by the RC and the Board.

CORPORATE GOVERNANCE REPORT

The Company adopts a formal procedure for the fixing of the remuneration packages of individual Directors, CEO&MD and KMP. No Director is involved in deciding his own remuneration.

The RC may, from time to time and where necessary, seek advice from external remuneration consultant in framing the remuneration policy and determining the level and mix of remuneration for Directors and KMP. The Board has not engaged any external remuneration consultant to advise on remuneration matters for FY2021.

The RC reviews the Company's obligations arising in the event of termination of Executive Directors and KMP's contracts of service to ensure such contracts of service contain fair and reasonable termination clauses.

Level and Mix of Remuneration

Principle 7: ***The level and structure of remuneration of the Board and KMP 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 – Remuneration of Executive Directors and KMP
Provision 7.2 – Remuneration of Non-Executive Directors
Provision 7.3 – Appropriateness of Remuneration

In setting remuneration packages, the RC takes into account the pay and employment conditions within the same industry and in comparable companies, as well as the Company's relative performance and the performance of individual Directors. The RC also ensures that the remuneration policies support the Company's objectives and strategies.

As part of its review, the RC ensures that the performance-related elements of remuneration form an appropriate part of the total remuneration package of the KMP and that each package is designed to align their interests with those of shareholders and link rewards to corporate and individual performance. The RC will review the key performance indicators (KPIs) of the KMP and such KPIs will be tied to the profitability of the specific business which the individuals are managing.

Executive Directors do not receive directors' fees. The remuneration policy for Executive Directors and KMP consists of fixed cash and annual variable components. The fixed component includes salary and other allowances. The variable component comprises performance-based bonus which may form a significant proportion of the total remuneration package of the Executive Directors and is dependent on the achievement of the individual and corporate performance targets.

The service contracts for the two Executive Directors contain a fixed appointment period of three years and clauses relating to early termination. Their contracts are renewable and would be subject to the RC and the Board's approval. None of the service contracts has any onerous removal clauses.

CORPORATE GOVERNANCE REPORT

Independent Directors, including the Chairman, have no service contract with the Company and their terms are specified in the Constitution of the Company. Independent Directors are paid a basic fee for serving as a Director and any of the Board Committees roles. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of Directors are taken into account. Such fees are subject to the approval of the shareholders as lump sum payment at the AGM of the Company.

The Company currently has no employee share option schemes or other long-term incentive scheme in place.

There are, at present, no contractual provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and executive officers in exceptional circumstances such as misstatement of financial results, or misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

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 – Remuneration of Directors and Top 5 Key Management Personnel

Directors

A breakdown of the Directors' remuneration from the Company for FY2021 is set out below:

	Salary	**Bonus/Profit sharing**	**Other benefits[(1)]**	**Fees**	**Total**
Name of Director	**$**	**$**	**$**	**$**	**$**
Dr Alex Tan	125,400	–	11,460	–	136,860
Mr Dro Tan Guan Liang	132,240	–	–	–	132,240
Dr John Chen	–	–	–	50,400	50,400
Mr Foo Der Rong	–	–	–	33,600	33,600
Mr Wang DaoFu	–	–	–	33,600	33,600
Total	**257,640**	**–**	**11,460**	**117,600**	**386,700**

Note:

(1) Other benefits refer to benefits-in-kind such as car etc made available to Directors as appropriate.

CORPORATE GOVERNANCE REPORT

Top 5 Key Management Personnel (who are not Directors or the CEO&MD of the Company)

A breakdown (in percentage terms) of the KMP's remuneration from the Company for FY2021 is set out below:

Remuneration Band[1] & Name of Key Management Personnel	Salary	Bonus	Other Benefits[2]	Total
	99.62%	**–**	**0.38%**	**100.00%**
Below $250,000				
Seow Han Khye	100.00%	–	–	100.00%
Lok Fong Meng	100.00%	–	–	100.00%
Tan Pang Sim	98.70%	–	1.30%	100.00%
Zhou Yongle	99.40%	–	0.60%	100.00%
Liushen	99.90%	–	0.10%	100.00%

Notes:

(1) Remuneration amounts are inclusive of salary, bonus, incentives, and Central Provident Fund contributions.

(2) Other benefits refer to allowances.

The disclosure of the KMP's remuneration in bands of S$250,000 (based on the gross remuneration received and inclusive of employer's contributions to the Central Provident Fund) is as set out in the above table. Due to sensitivities and confidentiality reasons, the Company believes that disclosure of their remuneration in bands of S$250,000 should be sufficient to provide an insight into the link between their compensation and performance. Further details are deemed to be not in the interest of the Company due to the competitiveness of the industry for key talents. The aggregate remuneration paid to the aforesaid KMP (who are not Directors or CEO&MD of the Company) in FY2021 amounted to S$472,093.

Provision 8.2 – Immediate Family Member of Directors, CEO&MD or Substantial Shareholder whose remuneration amounts exceed S$100,000 per annum

Mr Dro Tan Guan Liang, who is the son of the CEO&MD, has his remuneration disclosed above.

Mr Tan Pang Sim and Mr Tan Pang Jang are brothers of the CEO&MD while Madam Lim Kooi Yee is the daughter-in-law of the CEO&MD and spouse of Mr Dro Tan Guan Liang. All three persons have received a remuneration package not exceeding S$100,000 during FY2021.

The basis of determining the remuneration of the related employees is the same as the basis of determining the remuneration of other unrelated employees.

CORPORATE GOVERNANCE REPORT

Provision 8.3 – Disclosure of all forms of remuneration, and other payments and benefits paid by the Company and its subsidiaries to Directors and KMP in Annual Report

Apart from the remuneration disclosed above, the Company does not have in place any share-based compensation scheme or any long-term incentive scheme involving the offer of shares or options.

C. 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 – Nature and Extent of Significant Risks

The Board has overall responsibilities for the governance of risk and exercises oversight of the significant risks in the Group's business. The Board ensures that the CEO&MD and KMP maintain a sound system of internal controls and effective risk management policies to safeguard shareholders' interests and the Group's assets and in this regard, is assisted by the AC which reviews the adequacy and effectiveness of the Group's internal controls and risk management systems.

The Board did not establish a separate board risk committee to review and assess the internal controls systems and risk management framework. The Board is currently assisted by the AC, internal and external auditors in carrying out its responsibility of overseeing the Group's risk management framework and policies.

The Company's internal auditor, Nexia TS Risk Advisory Pte. Ltd ("**Internal Auditor**") reports to the AC on the Group's risks profile on a yearly basis, conduct a review of the adequacy and effectiveness of the Company's internal controls, evaluates results and proposes counter measures to mitigate the identified potential risks.

The Board has adopted an Enterprise Risk Management ("**ERM**") framework that comprises five (5) principal risk categories, namely strategic, financial, operational, information technology control and compliance risks.

The ERM framework is reviewed regularly taking into account changes in the Group's business and operating environment as well as evolving corporate governance requirements.

CORPORATE GOVERNANCE REPORT

The identification and management of risks are delegated to the CEO&MD and KMP, who assume ownership and day-to-day management of these risks. CEO&MD and KMP are responsible for the effective implementation of the risk management strategy, policies and processes to facilitate the achievement of business plans and goals within the risk tolerance established by the Board. Key business risks are proactively identified, addressed and reviewed on an ongoing basis. Identified risks that affect the achievement of the Group's business objectives are compiled in the Group Risks Register and are being ranked according to the likelihood and consequential impact to the Group as a whole.

The main risks arising from the Group's financial operations are liquidity risk, foreign currency risk, credit risk, equity price risk and interest rate risk. Details on the these risks are set out in the Notes to the Financial Statements. These risks are monitored by AC and the Board on a yearly basis.

The Internal Auditor has reviewed key internal controls as part of the internal audit plan and have independently reported its assessment to the AC and the Board on the adequacy, effectiveness and integrity of the Group's internal controls and risk management systems.

The Internal Auditor presents its findings to the AC on a yearly basis, with an internal audit report, comprising details of any non-compliance or internal control weaknesses noted during the audit, the corresponding recommendations by the Internal Auditor and the responses from the CEO&MD and/or KMP.

As part of the annual internal audits, the Internal Auditor also reports any significant deficiencies of such internal controls to the AC, who then reviews the adequacy and effectiveness of the risk management and internal controls system.

Provision 9.2 – Assurance from the CEO&MD, Group Chief Financial Officer and KMP

For the financial year under review:

(a) Written assurance was received from the CEO&MD and the Group Chief Financial Officer that the Group financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) Written assurance was received from the CEO&MD and the KMP that the Group's risk management and internal controls systems in place where adequate and effective to address the financial, operational, compliance and information technology risks in the context of the current scope of the Group's business operations.

Based on the internal control and risk management systems established and maintained by the Group, the review performed by the external and internal auditors and the review by the AC of the implementation of the recommendations of the internal and external auditors as aforesaid, the Board, with the concurrence of the AC, is of the opinion that the internal control and risk management systems maintained by the Group, addressing the financial, operational, compliance and information technology risks are adequate and effective as at 31 December 2021 to address the risks that the Group considers relevant and material to its operations, while noting that no system of internal control could provide absolute assurance against the occurrence of errors, fraud, or other irregularities.

CORPORATE GOVERNANCE REPORT

The AC, CEO&MD and KMP will continue to review and strengthen the Group's controls environment and allocate more resources and expertise towards improving its internal policies and procedures to maintain a high level of governance and internal controls.

Audit Committee ("AC")

Principle 10: *The Board has an Audit Committee which discharges its duties objectively.*

Provisions 10.1 & 10.2 – Audit Committee Composition and Role
Provision 10.4 – Internal Audit Function

The Board established the AC in April 2004 which comprises three (3) Non-Executive Directors, all of whom including the Chairman of the AC are independent. Please refer to Provision 1.4 above on the names of the members and the composition of the AC.

The AC has the explicit authority to investigate any matter within its TOR. It has full access to, and the co-operation of the Management and full discretion to invite any Executive Director or KMP to attend its meetings. The AC members has industry knowledge and professional expertise in the financial or business spheres, and have adequate resources, including access to the external consultants and auditors, to discharge their responsibilities properly.

The AC met twice during FY2021 and all the Executive Directors were invited to attend the meetings.

The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge their responsibilities.

The members of the AC carried out their duties in accordance with the TOR, which include the following:

(a) to review half year and full year financial statements and auditors' report of the Group before submitting to the Board;

(b) to review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;

(c) to review internal controls and risk management systems;

(d) to review the assurance from the CEO and CFO on the financial records and financial statements;

(e) to recommend the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the External Auditor, and the remuneration and terms of engagement of the External Auditor;

CORPORATE GOVERNANCE REPORT

(f) to review the adequacy, effectiveness, independence, scope and results of the external audit and the internal audit function and ensure the adequacy of the Group's system of accounting and co-operation given by the Company's Management to the external and internal auditors;

(g) to review all non-audit services provided by the External Auditor to the Group to ensure that the nature and extent of such services would not affect the independence of the External Auditor;

(h) to review the internal audit plan and findings of the Internal Auditor;

(i) to review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;

(j) to review interested person transactions to ensure that they are carried out on normal commercial terms and not prejudicial to the interests of shareholders, and are in compliance with the prevailing Catalist Rules; and

(k) to investigate any matter within its TOR.

External Audit

The AC reviews the scope and results of the audit carried out by the External Auditor, as well as the cost effectiveness of the audit and the independence and objectivity of the External Auditor. The AC always seeks to balance the maintenance of objectivity of the External Auditor and its ability to provide professional advices and solutions. The AC undertook the review of the independence and objectivity of the External Auditor, Moore Stephens LLP ("**MS**"), through discussions with MS as well as reviewing whether there were any non-audit services provided to the Group and the fees paid to MS. Based on the review, the AC is of the opinion that MS is independent for the purpose of the Group's statutory audit. The fees payable to the member firms of Moore Global Network Limited, where MS is a member of, is set out below:

	S$'000	**%**
Audit fees	113	100.00
Non-audit fees	–	–
Total	**113**	**100.00**

In reviewing the nomination of MS for re-appointment for the financial year ending 31 December 2022, the AC has considered the adequacy of the resources, experience and competence of MS, and has taken into account the Audit Quality Indicators relating to MS at the firm level and on the audit engagement level. Consideration was also given to the experience of the engagement partner and key team members in handling the audit. The AC also considered the audit team's ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed timelines.

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On the basis of the above, the AC is satisfied with the standard and quality of work performed by MS. It has recommended to the Board that MS to be nominated for re-appointment as external auditor of the Company at the forthcoming AGM of the Company. The Company has complied with the requirements of Catalist Rules 712, 715 and 716 in relation to the appointment of its External Auditor.

Internal Audit

The primary role of internal audit is to assist the AC by evaluating the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Group, undertaking investigations as directed by the AC, and conducting regular in-depth audits of high risk areas, to ensure that the Company maintains sound systems of internal controls and risk management.

The Company's internal audit functions are outsourced to Nexia TS Risk Advisory Pte. Ltd. since 2016. The AC is satisfied that the Internal Auditor is staffed with professionals with relevant qualifications and experience to perform its function effectively.

The Internal Auditor reports primarily to the Chairman of the AC and has unrestricted access to the documents, records, properties and personnel of the Company and of the Group.

The AC examines the internal audit plan, determines the scope of audit examination and approves the internal audit budget. It also oversees the implementation of the improvements required on internal control weaknesses identified and ensures that Management provides the necessary co-operation to the Internal Auditor.

The AC reviews the adequacy, effectiveness and independence of the Internal Auditor annually and is satisfied with the aforesaid aspects.

Whistle-Blowing Policy

The AC also reviews arrangements by which staff of the Company and external parties may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The Group has in place a whistle-blowing policy ("**Policy**") to ensure independent investigations of such matters and for appropriate follow up action.

The Policy is aimed at encouraging the reporting of such matters in good faith, with the confidence that staff of the Company and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal.

There was no whistle-blowing report received during FY2021.

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Provision 10.3 – Former Partners or Directors of the Company's existing Audit Firm in AC

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

Provision 10.5 – Meeting Auditors without the Management

The AC meets with the External Auditor and the Internal Auditor, at least once a year, without the presence of the Management, to review any matter that might be raised. These meetings enable the auditors to raise any issues in the course of their work directly to the AC.

D. 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 – Participating and Voting at General Meetings
Provision 11.2 – Tabling of Resolutions

Conduct of General Meetings

Notices for general meetings are announced via SGXNet. In line with changes to the Catalist Rules, the Company has implemented electronic transmission of documents to shareholders. The notices, together with relevant documents (such as annual report, letter to shareholders or circular) will be published on the Company's corporate website at www.matex.com.sg. All Shareholders of the Company will receive the notice of AGM and proxy form.

In order to provide ample time for Shareholders to review the annual report for the financial year ended 2021 ("**Annual Report 2021**"), the notice of AGM is distributed to all Shareholders at least 14 days before the scheduled AGM date. Shareholders are invited to attend the general meetings by way of electronic means and to put forth any questions they may have on the motions to be debated and decided upon by 11.00 a.m. on 22 April 2022. The Company will endeavour to address substantial and relevant questions related to the ordinary resolutions to be tabled for approval at the AGM by 11.00 a.m. on 25 April 2022.

All Shareholders are entitled to vote in accordance with the established voting rules and procedures at the AGM. Each Share is entitled to one vote.

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An external firm shall be appointed as the scrutineer for the AGM voting process, which is independent of the firm appointed to undertake the electronic poll voting process. This is in compliance with the Catalist Rule 730A(a).

Through the service provider's poll voting system, the total number of votes cast for and against and the respective percentages on each resolution are tallied and instantaneously displayed on the screen after each poll conducted during the AGM.

The resolutions tabled at the general meetings are each a substantially separate issue, including the election or re-election of Director as a separate subject matter.

Detailed information on each item in the AGM agenda is provided in the explanatory notes to the Notice of AGM on pages 143 to 148 of this Annual Report.

Provision 11.3 – Interaction with Shareholders

At general meetings of the Company, Shareholders are given the opportunity to communicate their views and are encouraged to ask the Directors and the KMP questions regarding matters affecting the Company. Due to the COVID-19 pandemic, the Government of Singapore has issued guidelines whereby companies should continue to conduct virtual meeting as much as possible, and alternative arrangements have been put in place to allow shareholders to participate at the AGM held by electronic means ("**eAGM**") by (a) watching/listening the proceedings of the eAGM via "live" webcast, (b) submitting questions in advance of the eAGM, and/or (c) voting by proxy at the eAGM.

All Directors (including the Chairmen of the AC, RC and NC), the external auditors, MS, and the Company's Secretary were present virtually at the Company's eAGM held on 28 April 2021. They will also be present virtually at the forthcoming eAGM to be held on 29 April 2022.

Provision 11.4 – Shareholders' Participation

The Company supports active shareholder participation at general meetings. Annual reports are distributed to all Shareholders 14 days before the scheduled general meeting date. All Shareholders are encouraged to attend the general meetings to ensure high level of accountability and to stay informed of the Group's strategies and visions. As the Company will be conducting the AGM via virtual means, Shareholders are encouraged to submit questions relating to the items on the Notice of the AGM before the stipulated deadline. The Company will endeavour to address the relevant questions, and responses will be published on both the Company's website and on SGXNet prior to the eAGM.

If Shareholders are unable to attend the meetings, the Constitution of the Company allows for Shareholders who are not relevant intermediaries to appoint up to two proxies to attend, speak and vote at general meetings in their absence, and Shareholders who are relevant intermediaries may appoint more than two proxies to attend, speak and vote at general meetings. In order to have a valid registration of proxy, the proxy forms must be sent in advance to the place(s) as specified in the notice of the general meetings at least 72 hours before the time set for the general meetings.

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Voting in absentia such as voting via mail, electronic mail or facsimile at the general meetings may only be possible following careful study to ensure that integrity of the information and authentication of the identity of Shareholders through the web is not compromised.

Provision 11.5 – Minutes of General Meetings

The Board views the AGM as the principal forum for dialogue with Shareholders, being an opportunity for Shareholders to raise issues pertaining to the resolutions tabled for approval and/or ask the Directors or the Management questions regarding the Company and its operations. The Company prepares minutes of general meetings, which are made available to Shareholders upon their request.

Provision 11.6 – Dividend Policy

The Company does not have a formal dividend policy. The form, frequency and amount of any proposed dividends will take into consideration the Group's profit growth, cash position, positive cash generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Company endeavours to pay dividends and where dividends are not paid, the Company will disclose its reason(s) accordingly.

The Company did not declare any dividends for FY2021. There were insufficient distributable profits available for the declaration of dividend as the Group and Company have recorded a loss for FY2021. The details on the Group's loss are disclosed under Message to Shareholders on pages 6 to 9 of this Annual Report.

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 – Communication between the Board and Shareholders
Provision 12.2 & 12.3 – Investor Relations Policy

Disclosure of information on timely basis

The Group is firmly committed to corporate governance and transparency by disclosing to its stakeholders, including its Shareholders, as much relevant information as is possible, in a timely, fair and transparent manner as well as to hearing its Shareholders' views and addressing their concerns.

CORPORATE GOVERNANCE REPORT

By supplying Shareholders with reliable and timely information, the Company is able to strengthen the relationship with its Shareholders based on trust and accessibility.

All the information relevant to Shareholders will be disclosed in a timely and fair manner via SGXNet, its corporate website at www.matex.com.sg and the media. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as possible.

E. MANAGING STAKEHOLDERS RELATIONSHIPS

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 – Arrangements to Identify and Engage with Stakeholders
Provision 13.2 – Management of Stakeholder Relationships

Stakeholders' Engagement

The Group has regularly engaged its stakeholders through various medium and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address the concerns so as to improve services and products' standards, as well as to sustain business operations for long term growth.

The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly are able to impact the Group's business and operations.

Six (6) stakeholders groups have been identified through an assessment of their significance to the business operations. They are namely, suppliers, customers, employees, community, investors and regulators.

The Company has undertaken a process to determine the environmental, social and governance (ESG) issues which are important to these stakeholders. These issues form the materiality matrix upon which targets, performance and progress are reviewed and endorsed by the Board annually.

Having identified the stakeholders and the material issues, the Company has mapped out the key areas of focus in relation to the management of the respective stakeholder relationships.

Please refer to the Sustainability Report on pages 15 to 27 of this Annual Report for further details.

CORPORATE GOVERNANCE REPORT

Provision 13.3 – Corporate Website

All material information on the performance and development of the Group and of the Company is disclosed in a timely, accurate and comprehensive manner through SGXNet, press releases and the Company's website. The Company does not practice selective disclosure of material information. All materials on the half year and full year financial results are available on the Company's website at www.matex.com.sg. The comprehensive website, which is updated regularly, contains various information on the Group and the Company which serves as an important resource for investors and all stakeholders.

F. OTHER CORPORATE GOVERNANCE MATTERS

DEALING IN SECURITIES

In compliance with Catalist Rule 1204(19) on best practices in respect of dealing in securities, the Group has in place an internal compliance policy which prohibits the Company's Directors, KMP and their connected persons from dealing in the Company's shares during the period beginning one (1) month immediately preceding the announcement of the Company's half year and full year results respectively ("**Prohibited Periods**"), or if they are in possession of unpublished price-sensitive information of the Group.

In addition, Directors, KMP and connected persons are required to comply with and observe laws on insider trading even when dealing in the Company's shares outside the Prohibited Periods. They are also refrained from dealing in the Company's shares on short-term considerations.

All Directors are required to seek Board's approval before trading in the Company's shares and are also required to notify the Company Secretary of any change in his interest in the Company's shares within two business days of the change.

There was no trading of the Company's shares by insiders during FY2021.

MATERIAL CONTRACTS

Pursuant to Rule 1204(8) of the Catalist rules, no material contracts had been entered into by the Company and its subsidiaries involving the interests of any Director or controlling shareholder, which are either still subsisting at the end of the financial year or if not then subsisting, entered since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

To ensure compliance with Chapter 9 of the Catalist Rules, in FY2021, the AC and the Board met half-yearly to review if the Company will be entering into any interested person transactions ("**IPTs**").

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If the Company is intending to enter into an IPT, the AC and the Board will ensure that the transaction is carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its non-controlling shareholders.

The Group does not have a general mandate from shareholders for IPTs pursuant to Rule 920 of the Catalist rules.

There were no IPTs of aggregate value in excess of S$100,000 conducted during FY2021.

NON-SPONSOR FEES

In compliance with Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid to the Company's sponsor, Provenance Capital Pte. Ltd., during FY2021.

CORPORATE GOVERNANCE REPORT

APPENDIX – INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

Name of Director	Alex Tan Pang Kee ("Dr Alex Tan")	Wang DaoFu ("Mr Wang")
Date of appointment	23 March 1990	11 January 2017
Date of last election	29 April 2019	29 June 2020
Age	75	60
Country of principal residence	Singapore	China
The Board's comments on the NC's recommendation for re-election	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Dr Alex Tan's performance as a Chief Executive Officer and Managing Director of the Company.	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Wang's performance as a Non-Executive and Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Responsible for overseeing the operations of the Company's business of trading	Non-Executive.
Job title	Chief Executive Officer and Managing Director	Non-Executive and Independent Director, Chairman of Remuneration Committee, Member of Nominating Committee and Audit Committee
Professional qualifications	Doctor of Philosophy in Business Administration	Bachelor of Law of Peking University in Beijing, China
Working experience and occupation(s) during past 10 years	Matex International Ltd 23 March 1990 to current – Founding Director and Chief Executive Officer & Managing Director	January 2004 to Present: Founding Partner, Yuan Tai Law Offices November 2009 to Present: Director, Proceq Trading (Shanghai) Co. Ltd (China) January 2013 to December 2016: Independent Director, Jiangsu Jiangnan Agriculture Commercial Bank October 2014 to Present: Director, MOBO Information Technology Pte Ltd January 2015 to 2019: Director, TH Straits 2015 Pte Ltd April 2015 to Present: Director, SGD Investment Pte Ltd January 2016 to December 2018: Director, Bank of Dazhou January 2017 to October 2021: Independent Director, Suzhou DieZhi Internet Technology Share Company June 2019 to Present: Non-Executive and Independent Director, Sunpower Group Ltd.

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Name of Director	Alex Tan Pang Kee ("Dr Alex Tan")	Wang DaoFu ("Mr Wang")
Shareholding interest in the listed issuer and its subsidiaries	Dr Alex Tan owns 87,972,630 (28.28%) ordinary shares in the paid-up share capital of the Company	Nil
Any relationship (including immediate family relationships) with any existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Father to Mr Dro Tan Guan Liang, Executive Director	None
Conflicts of interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7H under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships	Past (for the last 5 years) Nil Present NIL	Past (for the last 5 years) • Dazhou Commercial Bank • TH Straits 2015 Pte Ltd • Jiangsu Jiangnan Agriculture Commercial Bank • Suzhou Diezhi Network Technology Co., Ltd. Present • Proceq Trading (Shanghai) Co. Ltd • SGD Investment Pte Ltd • MOBO Information Technology Pte Ltd • Sunpower Group Ltd
The general statutory disclosures of the Directors are as follows:		
Question		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was partner or at any time within 2 years from the date, he ceased to be a partner?	No	No

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Name of Director	Alex Tan Pang Kee ("Dr Alex Tan")	Wang DaoFu ("Mr Wang")
(b) at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or any equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgement against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings of which he is aware) for such purpose	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Alex Tan Pang Kee ("Dr Alex Tan")	Wang DaoFu ("Mr Wang")
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Alex Tan Pang Kee ("Dr Alex Tan")	Wang DaoFu ("Mr Wang")
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he as so concerned with the entity or business trust?	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Alex Tan Pang Kee ("Dr Alex Tan")	Wang DaoFu ("Mr Wang")
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, processional body or government agency whether in Singapore or elsewhere?	No	No

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2021 and statement of financial position as at 31 December 2021 and statement of changes in equity of the Company for the financial year ended 31 December 2021.

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

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

1 Directors

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

Dr John Chen Seow Phun
Dr Alex Tan Pang Kee
Mr Foo Der Rong
Mr Dro Tan Guan Liang (Chen Guanliang)
Mr Wang DaoFu

2 Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

DIRECTORS' STATEMENT

3 Directors' Interests in Shares and Debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, 1967, an interest in shares of the Company as stated below:

	Direct interest		Deemed interest	
	At the beginning of the financial year	At the end of the financial year	At the beginning of the financial year	At the end of the financial year
Ordinary shares of the Company				
Dr John Chen Seow Phun	140,000	140,000	–	–
Dr Alex Tan Pang Kee	87,972,630	87,972,630	–	–
Mr Dro Tan Guan Liang (Chen Guanliang)	826,000	826,000	–	–

By virtue of Section 7 of the Singapore Companies Act 1967, Dr Alex Tan Pang Kee is deemed to have an interest in all the subsidiaries to the extent held by the Company.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2022.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

4 Share Options

(a) Option to take up unissued shares

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

(b) Option exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

DIRECTORS' STATEMENT

5 **Audit Committee**

The audit committee ("AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act 1967, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;

- Reviewed the half yearly financial results and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;

- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;

- Reviewed the nature and extent of non-audit services provided by the external auditor;

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

DIRECTORS' STATEMENT

5 Audit Committee (Continued)

The AC, having reviewed all non-audit services provided by the external auditor to the Group (if any), is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened two meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

6 Auditors

The independent auditors, Moore Stephens LLP, have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors:

Dr Alex Tan Pang Kee
Director

Mr Dro Tan Guan Liang
(Chen Guanliang)
Director

Singapore
05 April 2022

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MATEX INTERNATIONAL LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Matex International 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 comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the 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 Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MATEX INTERNATIONAL LIMITED

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Key Audit Matter	**Our audit performed and responses thereon**
Valuation of trade receivables	
We refer to Note 2.14, Note 3.2(a), Note 14 and Note 30(a) to the financial statements. As at 31 December 2021, the carrying amount of the Group's trade receivables amounted to S$1,778,000, net of allowance for expected credit loss ("ECL") of S$3,310,000. During the current financial year, the Group writes back ECL of S$100,000 on these trade receivables. We focus on this area because there are judgements and estimates involved in the application of the ECL model and loss allowance provision.	We obtained understanding of the credit policy of the Group and evaluated the process for monitoring of trade receivables. We reviewed the Group's control over the receivables collection processions, analysed the aging of trade receivables and reviewed the Group's loss allowance against trade receivables and its disclosures about the degree of estimation involved in arriving at the expect credit loss. We found the estimates used by management in deriving the expected credit loss model and impairment provision adequate.
Valuation of inventories	
We refer to Note 2.16, Note 3.2(b) and Note 13 to the financial statements. The carrying amount of the Group's inventories amounted to S$2,530,000 as at 31 December 2021. Inventories are carried in the financial statements at the lower of cost and net realisable value. During the current financial year, the Group writes down inventories of S$12,000 and writes back provision for inventory obsolescence of S$162,000. There are judgements and estimates involved in determining the amount of write down/(write back) for slow-moving and obsolete inventories by considering factor such as the condition and age of inventories, future market demand, environmental regulations requirements and pricing competition.	We designed and performed the following key procedures, among others: – We checked and analysed the ageing of the inventories, reviewed the historical trend on whether there were significant inventories written off or reversal of the allowances for inventories obsolescence. – We evaluated management's process in determining the write down/(write-back) of inventory, taking into consideration inventory ageing, physical condition of the inventories, past and expected future sales. – We evaluated and tested management's assessment of inventories to state them at the lower of cost and net realisable value. We found the estimates used by management in deriving the write down/(write back) for inventory obsolescence to be within a reasonable range.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MATEX INTERNATIONAL LIMITED

Report on the Audit of the Financial Statements (Continued)

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.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MATEX INTERNATIONAL LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MATEX INTERNATIONAL LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 year 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 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 Mr Neo Keng Jin.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
05 April 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group	
		2021	**2020**
		$'000	**$'000**
Revenue	4	**20,925**	24,629
Cost of sales		**(18,285)**	(21,204)
Gross profit		**2,640**	3,425
Other income		**334**	678
Selling and distribution expenses		**(1,824)**	(2,298)
Administrative expenses		**(7,394)**	(7,993)
Other operating expenses		**(192)**	(3,309)
Finance income	5	**21**	39
Finance expenses	5	**(728)**	(547)
Write back of loss allowance on trade receivables		**100**	67
Loss before taxation	7	**(7,043)**	(9,938)
Income tax expense	8	**(29)**	(51)
Loss for the year		**(7,072)**	(9,989)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Currency translation difference		**217**	1,090
Other comprehensive income for the year, net of tax		**217**	1,090
Total comprehensive loss for the year		**(6,855)**	(8,899)
Loss attributable to:			
Owners of the Company		**(4,930)**	(6,375)
Non-controlling interests		**(2,142)**	(3,614)
		(7,072)	(9,989)
Total comprehensive loss attributable to:			
Owners of the Company		**(4,726)**	(5,546)
Non-controlling interests		**(2,129)**	(3,353)
		(6,855)	(8,899)
Loss per share (cents per share)			
– Basic and diluted	27	**(1.58)**	(2.38)

The accompanying notes form an integral part of the financial statements

STATEMENTS OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021	2020	2021	2020
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	9	**468**	9,077	**4**	11
Right-of-use assets	10	**453**	1,056	**9**	13
Intangible assets	11	**158**	320	**160**	322
Investment in subsidiaries	12	**–**	–	**5,119**	5,119
		1,079	10,453	**5,292**	5,465
Current assets					
Inventories	13	**2,530**	10,411	**–**	–
Trade and notes receivables	14	**2,154**	4,796	**784**	1,009
Other receivables and deposits	15	**1,200**	1,317	**1,159**	1,910
Prepayments		**184**	572	**54**	58
Fixed deposits	16	**1,501**	1,500	**–**	–
Cash and bank balances	16	**5,654**	4,469	**177**	135
Assets held for sale	17	**15,918**	–	**–**	–
		29,141	23,065	**2,174**	3,112
Total assets		**30,220**	33,518	**7,466**	8,577
Current liabilities					
Trade payables	18	**1,328**	2,462	**–**	–
Bill payables to banks	19	**–**	152	**–**	–
Other payables and accruals	20	**4,981**	5,108	**197**	312
Contract liabilities	4	**18**	124	**–**	–
Lease liabilities	10	**326**	527	**2**	7
Term loans	21	**1,948**	8,534	**–**	–
Liabilities held for sale	17	**10,597**	–	**–**	–
Tax payable		**25**	–	**–**	–
		19,223	16,907	**199**	319
Net current assets		**9,918**	6,158	**1,975**	2,793

STATEMENTS OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021	2020	2021	2020
		$'000	$'000	$'000	$'000
Non-current liabilities					
Deferred tax liabilities	22	**74**	51	**–**	–
Other payables	20	**–**	13	**–**	–
Term loan	21	**3,499**	1,949	**–**	–
Lease liabilities	10	**348**	667	**–**	2
		3,921	2,680	**–**	2
Net assets		**7,076**	13,931	**7,267**	8,256
Equity					
Share capital	23	**24,603**	24,603	**24,603**	24,603
Capital reserve	24	**294**	294	**–**	–
Enterprise expansion reserve	25	**4,417**	4,417	**–**	–
General reserve	25	**4,417**	4,417	**–**	–
Translation reserve	26	**244**	40	**–**	–
Accumulated losses		**(26,173)**	(21,243)	**(17,336)**	(16,347)
		7,802	12,528	**7,267**	8,256
Non-controlling interests		**(726)**	1,403	**–**	–
Total equity		**7,076**	13,931	**7,267**	8,256

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Attributable to equity holders of the Company								
	Share capital $'000	Capital reserve $'000	Enterprise expansion reserve $'000	General reserve $'000	Translation reserve $'000	(Accumulated losses) $'000	Equity attributable to owners of the Company, total $'000	Non-controlling interests $'000	Equity total $'000
Group									
Opening balance as at 1 January 2021	**24,603**	**294**	**4,417**	**4,417**	**40**	**(21,243)**	**12,528**	**1,403**	**13,931**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(4,930)**	**(4,930)**	**(2,142)**	**(7,072)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**204**	**–**	**204**	**13**	**217**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**204**	**(4,930)**	**(4,726)**	**(2,129)**	**(6,855)**
Closing balance as at 31 December 2021	**24,603**	**294**	**4,417**	**4,417**	**244**	**(26,173)**	**7,802**	**(726)**	**7,076**
Opening balance as at 1 January 2020	23,406	294	4,417	4,417	(789)	(14,840)	16,905	4,756	21,661
Loss for the year	–	–	–	–	–	(6,375)	(6,375)	(3,614)	(9,989)
Other comprehensive income for the year	–	–	–	–	829	–	829	261	1,090
Total comprehensive loss for the year	–	–	–	–	829	(6,375)	(5,546)	(3,353)	(8,899)
Strike-off subsidiary	–	–	–	–	–	(28)	(28)	–	(28)
Issuance of new ordinary shares	1,197	–	–	–	–	–	1,197	–	1,197
Closing balance as at 31 December 2020	24,603	294	4,417	4,417	40	(21,243)	12,528	1,403	13,931

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Share capital $'000	Accumulated losses $'000	Total $'000
Company			
Opening balance as at 1 January 2021	**24,603**	**(16,347)**	**8,256**
Loss for the year	**–**	**(989)**	**(989)**
Closing balance as at 31 December 2021	**24,603**	**(17,336)**	**7,267**
Opening balance as at 1 January 2020	23,406	(14,702)	8,704
Loss for the year	–	(1,645)	(1,645)
Issuance of New Ordinary Shares	1,197	–	1,197
Closing balance as at 31 December 2020	24,603	(16,347)	8,256

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	2021 $'000	2020 $'000
Cash flows from operating activities		
Loss before taxation	**(7,043)**	(9,938)
Adjustments:		
Interest expense on borrowings and lease liabilities	**728**	547
Interest income	**(21)**	(39)
Write back of loss allowance on trade receivables	**(100)**	(152)
Loss allowance on trade receivables	**–**	85
Gain on disposal of property, plant and equipment	**(2)**	(50)
Property, plant and equipment written off	**50**	360
Depreciation of property, plant and equipment	**963**	1,525
Depreciation of right-of-use assets	**180**	182
(Reversal of impairment)/impairment of non-financial assets	**(10)**	3,253
Amortisation of intangible assets	**161**	161
Inventories written down	**12**	59
Write back of provision for inventory obsolescence	**(162)**	(397)
Exchange differences	**28**	103
Operating cash flows before changes in working capital changes	**(5,216)**	(4,301)
Decrease in inventories	**3,691**	1,687
Decrease in trade and notes receivables	**945**	3,681
Decrease in other receivables and prepayments	**571**	245
Increase/(decrease) in trade and other payables	**987**	(4,249)
Decrease in contract liabilities	**(80)**	(221)
Decrease in other long-term liabilities	**(3)**	(164)
Cash flows generated from/(used in) operations	**895**	(3,322)
Interest paid	**(728)**	(547)
Interest received	**21**	39
Income tax refunded/(paid)	**50**	(153)
Net cash generated from/(used in) operations	**238**	(3,983)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(273)**	(690)
Proceeds from disposal of property, plant and equipment	**6**	112
Net cash flows used in investing activities	**(267)**	(578)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 $'000	2020 $'000
Cash flows from financing activities			
Decrease in restricted cash		–	267
Proceeds from loans and borrowings		**4,153**	6,125
Payment of principal portion of lease liabilities		**(461)**	(386)
Repayment of loans and borrowings		**(1,785)**	(1,553)
Proceeds from issuance of ordinary shares from Rights Issue		–	1,197
Net cash flows generated from financing activities		**1,907**	5,650
Net increase in cash and cash equivalents		**1,878**	1,089
Effect of exchange rate changes on cash and cash equivalents		**108**	158
Cash and cash equivalents at the beginning of the year		**4,469**	3,222
Cash and cash equivalents at the end of the year	16	**6,455**	4,469

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

These notes form an integral part and should be read in conjunction with the accompanying financial statements.

1 GENERAL

Matex International Limited (the "Company") is a limited liability company, which is incorporated and domiciled in the Republic of Singapore and publicly traded on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 1003, Bukit Merah Central, #01-10 Inno Centre, Singapore 159836.

The principal activities of the Company are the formulation, manufacturing and sale of specialty chemicals focusing on dyestuff and auxiliaries for the textile industry.

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

The financial statements for the financial year ended 31 December 2021 were approved and authorised for issue by the board of directors in accordance with a resolution of the directors on the date of the Directors' Statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (the "SFRS(I)") and the provision of the Singapore Companies Act 1967. The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

2.2 Adoption of new and amended standards and interpretations

(a) *Adoption of New and Revised SFRS(I) issued which are effective*

On 1 January 2021, the Group has adopted the new or amended SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INTs") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and SFRS(I) INTs. The adoption of the new or amended SFRS(I) and SFRS(I) INTs did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Adoption of New and Revised SFRS(I) issued but not yet effective

At the date of authorisation of these financial statements, the following standards that have been issued and are relevant to the Group and Company but not yet effective:

		Effective for annual financial periods beginning on or after
SFRS(I) 10 and SFRS(I) 1-28	*Amendments to SFRS(I) 10 and SFRS(I) 1-28 Investments in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture*	Deferred indefinitely, early application is still permitted
Annual Improvements to SFRS(I) 2018-2020	*SFRS(I) 9 Financial Instruments – Fee in the '10 per cent' test for derecognition*	1 January 2022
Amendments to SFRS(I) 3	*Amendments to SFRS(I) 3: Reference to the Conceptual Framework*	1 January 2022
Amendments to SFRS(I) 1-16	*Amendments to SFRS(I) 1-16: Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
Amendments to SFRS(I) 1-37	*Amendment to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to SFRS(I) 1-1	*Amendment to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to SFRS(I) 1-1	*Amendment to SFRS(I) 1-1: Disclosure of Accounting Policies and SFRS(I) Practice Statement 2 Making Materiality Judgements*	1 January 2023
Amendments to SFRS(I) 1-8	*Amendment to SFRS(I) 1-8: Definition of Accounting Estimates*	1 January 2023
Amendments to SFRS(I) 1-12	*Amendment to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

The Group applies the acquisition method to account for business combinations when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether an integrated set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create output. The Group has an option to apply a 'fair value concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test can be applied on a transaction-by-transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the Group elects not to apply the test, a detailed assessment must be performed applying the normal requirements in SFRS(I) 3.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (Continued)

Property, plant and equipment are depreciated using the straight-line method against the cost (in the case of People's Republic of China ("PRC") subsidiary companies, less estimated residual value of the fixed asset at 10% of cost), over their estimated useful lives. The estimated useful lives have been taken as follows:

Leasehold properties	5 to 91 years
Plant and equipment	3 to 10 years
Renovation, electrical and fittings	5 to 10 years
Motor vehicles	5 to 10 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 Land use rights

Land use rights relate to properties in the PRC.

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 20 to 50 years.

An assessment of the carrying value of land use rights is made when there are indications that the assets have been impaired or the impairment losses recognised in prior years no longer exists.

Gains or losses arising from the retirement or disposal of land use rights are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Intangible assets relate to software and is amortised on a straight-line basis over a period of 5 years.

2.10 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets (Continued)

A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.12 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it 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.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.13 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to be a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments (Continued)

(a) *Financial assets* (Continued)

Subsequent measurement

Investment in debt instruments at amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial instruments (Continued)

(b) *Financial liabilities* (Continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.14 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and fixed deposits. Cash equivalents are short-term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

(a) Raw materials: purchase costs on a weighted average basis;

(b) Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Provisions

Provisions are recognised when the Group has 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 the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in provision due to passage of time is recognised as a finance cost.

2.18 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowing costs

All borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.20 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. In addition, the subsidiary companies in the PRC pay fixed contributions into the retirement insurance and medical insurance schemes organised by the social security bureau and has no further payment obligations once the contributions have been paid. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

2.21 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

As lessee (Continued)

(i) *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Office premises	3 to 5 years
Land use rights	20 to 50 years
Motor vehicles	5 years
Office equipment	10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.11.

(ii) *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

As lessee (Continued)

(ii) *Lease liabilities* (Continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.22 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The Group produces and supplies dyestuffs and auxiliaries to manufacturers mainly in the textile industry.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation is satisfied at a point in time and accordingly, revenue is recognised at a point in time.

Revenue is recognised when the goods or services are delivered to the customer and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the transaction price which comprises the contractual price. There are no variable considerations that would modify transaction price and accordingly, no significant judgement is involved in estimating the revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred income tax is provided, using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes (Continued)

(b) *Deferred tax* (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes (Continued)

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

2.24 Contingencies

A contingent liability is:

(a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position.

2.25 Non-current Assets (or Disposal Group) Classified as Held for Sale

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Non-current Assets (or Disposal Group) Classified as Held for Sale (Continued)

When the Group is committed to a sale plan involving loss of control of a subsidiary company, all of the assets and liabilities of that subsidiary company are classified as held for sale when the criteria set out above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary company after the sale.

Non-current assets (or disposal group) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

When the criteria set out above are no longer met, the Group will cease to classify the asset (or disposal group) as held for sale, The Group will measure the non-current asset (or disposal group) that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and its recoverable amount at the date of the subsequent decision not to sell or distribute.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

Critical judgement is required in the application of accounting policies when preparing the Group's consolidated financial statements. Management is of the opinion that the instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimates.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(a) *Allowance for expected credit losses of trade receivables*

The Group determines ECLs and impairment of trade receivables by making debtor-specific assessment of expected impairment loss for long overdue trade receivables, and using a provision matrix for the remaining trade receivables.

The provision matrix is based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 30(a) to the financial statements.

The carrying amount of the Group and the Company's trade receivables as at 31 December 2021 are $1,778,000 (2020: $3,331,000) and $784,000 (2020: $1,009,000) respectively.

(b) *Allowance for slow-moving and obsolete inventories*

A review of the realisable value of the inventories is performed periodically for slow-moving, obsolete, and inventories which have a decline in net realisable value below cost. An allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future market demand for the products, pricing competitions, environmental regulations requirements and age of the inventories. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 13 to the financial statements.

The carrying amount of the Group's inventories as at 31 December 2021 is $2,530,000 (2020: $10,411,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(c) *Impairment of non-financial assets (property, plant and equipment, right-of-use assets and intangible assets)*

The recoverable amounts of the cash generating units ("CGU") are determined based on value in use, which are computed using a discounted cash flow model. This assessment required management to exercise significant judgement over various inputs and assumptions such as revenue growth rates, gross margins and discount rate. The key assumptions applied in the determination of the value in use of property, plant and equipment, right-of use assets and intangible assets are disclosed in Note 9, 10 and 11 to the financial statements respectively.

The carrying amount of the Group's property, plant and equipment, right-of-use assets and intangible assets as at 31 December 2021 is $468,000, $453,000 and $158,000 (2020: $9,077,000, $1,056,000 and $320,000) respectively.

4 REVENUE

(a) *Disaggregation of revenue*

	Group	
	2021	**2020**
	$'000	**$'000**
Primary geographical markets		
People's Republic of China	**15,640**	18,326
Malaysia	**1,447**	1,251
Singapore	**3,838**	5,052
Sale of goods at a point in time	**20,925**	24,629

(b) *Receivables and contract liabilities*

Information about receivables and contract liabilities from contracts with customers is disclosed as follows:

	Group		
			1 January
	2021	**2020**	**2020**
	$'000	**$'000**	**$'000**
Receivables from contract with customers (Note 14)	**1,778**	3,331	6,854
Contract liabilities	**18**	124	368

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 REVENUE (CONTINUED)

(b) *Receivables and contract liabilities* (Continued)

Contract liabilities relate primarily to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers. Contract liabilities are recognised as revenue as the Group performs under the contract.

Significant changes in contract liabilities are explained as follows:

	Group	
	2021	**2020**
	$'000	**$'000**
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**124**	368
Increase due to cash received, excluding amounts recognised as revenue during the year	**(18)**	(124)

5 FINANCE INCOME/(EXPENSES)

	Group	
	2021	**2020**
	$'000	**$'000**
Finance income		
– Interests from fixed deposits and bank balances	**21**	39
Finance expenses		
– Interest on term loans	**(675)**	(485)
– Interest on lease liabilities	**(53)**	(62)
	(728)	(547)

6 PERSONNEL EXPENSES

The following personnel expenses includes directors' remuneration.

	Group	
	2021	**2020**
	$'000	**$'000**
Salaries and bonuses	**3,421**	3,646
Defined contribution plans	**144**	403
Other personnel expenses	**508**	147
	4,073	4,196

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

7 LOSS BEFORE TAXATION

This is determined after charging the following:

	Group	
	2021	**2020**
	$'000	**$'000**
Amortisation of intangible assets (Note 11)	**(161)**	(161)
Depreciation of property, plant and equipment (Note 9)	**(963)**	(1,525)
Depreciation of right-of-use assets (Note 10)	**(180)**	(182)
(Reversal of impairment)/impairment of non-financial assets (Note 9, 10, 11)	**10**	(3,253)
Inventories recognised as an expense in cost of sales (Note 13)	**(18,285)**	(18,598)
Audit fees paid to:		
– Auditor of the Company	**(80)**	(89)
– Other auditors	**(217)**	(113)
Non-audit fees paid to:		
– Auditor of the Company	**–**	–
– Other auditors	**(2)**	(2)
Personnel expenses (Note 6)	**(4,073)**	(4,196)
Inventories written down (Note 13)	**(12)**	(59)
Write back of provision for inventory obsolescence^ (Note 13)	**162**	397
Foreign exchange loss	**(12)**	(248)
Gain on disposal of property, plant and equipment	**2**	50
Property, plant and equipment written off	**(50)**	(360)
Lease expenses (short term lease)	**–**	(7)
Transportation expense	**(46)**	(235)
Government grants*	**115**	316

* In response to the COVID-19 coronavirus pandemic, wage subsidy programmes for companies that had to shut their operations and furlough staff were introduced by the governments of the affected subsidiaries including Singapore and Malaysia. The government grants income received during the financial years are substantially the wage subsidies from these governments.

^ The write back of provision for inventory obsolescence during the financial years was because certain inventories previously written down below cost have been sold at higher selling price.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8 INCOME TAX EXPENSE

The major components of income tax expense for the year ended 31 December are:

	Group	
	2021	2020
	$'000	$'000
Statement of comprehensive income:		
Current income tax:		
– Current income taxation	**6**	34
– Under-provision in respective of previous years	**–**	11
Deferred tax		
– Current year charge (Note 22)	**23**	6
Income tax expense recognised in the statement of comprehensive income	**29**	51

Relationship between tax expense and accounting loss

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2021 and 2020 is as follows:

	Group	
	2021	2020
	$'000	$'000
Loss before taxation	**(7,043)**	(9,938)
Tax at domestic tax rate of 17% (2020: 17%)	**(1,197)**	(1,689)
Adjustments:		
Non-deductible expenses	**400**	937
Income not subject to taxation	**(62)**	(19)
Difference in tax rates applicable to overseas operations	**(472)**	(725)
Utilisation of deferred tax assets previously not recognised	**(105)**	(41)
Deferred tax assets not recognised	**618**	1,577
Deferred tax assets not recognised for disposal group	**847**	–
Under-provision in respect of previous years	**–**	11
Income tax expense recognised in the statement of comprehensive income	**29**	51

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties $'000	Plant and equipment $'000	Renovation, electrical and fittings $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Group						
Cost						
At 1 January 2021	**19,056**	**13,881**	**1,300**	**1,019**	**710**	**35,966**
Additions	**129**	**22**	**11**	**22**	**89**	**273**
Disposals/written off	**(78)**	**–**	**(3)**	**(69)**	**–**	**(150)**
Reclassification	**308**	**–**	**–**	**–**	**(308)**	**–**
Transferred to assets held for sale	**(18,593)**	**(834)**	**(350)**	**(53)**	**(63)**	**(19,893)**
Exchange differences	**546**	**608**	**85**	**24**	**29**	**1,292**
At 31 December 2021	**1,368**	**13,677**	**1,043**	**943**	**457**	**17,488**
Cost						
At 1 January 2020	18,110	13,257	1,130	1,376	823	34,696
Additions	77	134	270	–	209	690
Disposals	–	(108)	(153)	(397)	(3)	(661)
Written-off	–	(14)	–	–	(346)	(360)
Exchange differences	869	612	53	40	27	1,601
At 31 December 2020	19,056	13,881	1,300	1,019	710	35,966

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold properties $'000	Plant and equipment $'000	Renovation, electrical and fittings $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Group						
Accumulated depreciation and impairment loss						
At 1 January 2021	**10,738**	**13,701**	**991**	**1,002**	**457**	**26,889**
Charge for the year (Note 7)	**832**	**39**	**81**	**11**	**–**	**963**
Disposals/written off	**(27)**	**–**	**(2)**	**(67)**	**–**	**(96)**
Reversal of impairment loss	**–**	**–**	**–**	**(10)**	**–**	**(10)**
Transferred to assets held for sale	**(10,662)**	**(659)**	**(298)**	**(45)**	**–**	**(11,664)**
Exchange differences	**352**	**531**	**26**	**29**	**–**	**938**
At 31 December 2021	**1,233**	**13,612**	**798**	**920**	**457**	**17,020**
At 1 January 2020	8,989	10,869	821	1,229	–	21,908
Charge for the year (Note 7)	952	399	143	31	–	1,525
Disposals	–	(94)	(153)	(352)	–	(599)
Impairment	364	1,968	120	61	457	2,970
Exchange differences	433	559	60	33	–	1,085
At 31 December 2020	10,738	13,701	991	1,002	457	26,889
Net carrying amount						
At 31 December 2020	8,318	180	309	17	253	9,077
At 31 December 2021	**135**	**65**	**245**	**23**	**–**	**468**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold properties $'000	Plant and equipment $'000	Renovation, electrical and fittings $'000	Motor vehicles $'000	Total $'000
Company					
2021					
Cost					
At 1 January 2021	**162**	**527**	**1**	**351**	**1,041**
Disposals	**–**	**–**	**–**	**(69)**	**(69)**
At 31 December 2021	**162**	**527**	**1**	**282**	**972**
Accumulated depreciation					
At 1 January 2021	**158**	**521**	**1**	**350**	**1,030**
Charge for the year	**4**	**2**	**–**	**–**	**6**
Disposals	**–**	**–**	**–**	**(68)**	**(68)**
At 31 December 2021	**162**	**523**	**1**	**282**	**968**
Net carrying amount					
At 31 December 2021	**–**	**4**	**–**	**–**	**4**
2020					
Cost					
At 1 January 2020	162	619	150	351	1,282
Additions	–	5	–	–	5
Disposals	–	(97)	(149)	–	(246)
At 31 December 2020	162	527	1	351	1,041
Accumulated depreciation					
At 1 January 2020	150	596	125	345	1,216
Charge for the year	8	8	25	5	46
Disposals	–	(83)	(149)	–	(232)
At 31 December 2020	158	521	1	350	1,030
Net carrying amount					
At 31 December 2020	4	6	–	1	11

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Cash outflow on property, plant and equipment

The cash outflow on the acquisition of property, plant and equipment by the Group during the year amounted to $273,000 (2020: $690,000).

Assets pledged as security

The Group's leasehold properties, plant and equipment with a carrying amount of $23,000 (2020: $8,085,000), are mortgaged to secure the Group's bank loans as disclosed in Note 21 to the financial statements respectively.

Impairment of assets

During the current financial year, the Group carried out a review of the recoverable amount of its production facility and equipment, which is defined as the cash generating units ('CGUs') due to losses incurred.

There is no additional impairment loss recognised for the financial year ended 31 December 2021. During the previous financial year ended 31 December 2020, impairment losses amounting to S$2,970,000 was made as the recoverable amount of the asset was projected to be below its net book value.

The recoverable amounts were computed based on value in use using a discounted cash flow projection. The post-tax discount rates used were 12.42% (Singapore), 11.19% (Malaysia) and 11.45% (China) (2020: 10.5% (Singapore), 13.0% (Malaysia) and 15.5% (China)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for various items of leasehold land, office premises, motor vehicles and office equipment used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Office premises $'000	Land use rights $'000	Motor vehicles $'000	Office equipment $'000	Total $'000
2021					
Cost					
At 1 January 2021	**1,980**	**2,134**	**119**	**20**	**4,253**
Transferred to assets held for sale	**–**	**(1,809)**	**–**	**–**	**(1,809)**
Exchange differences	**–**	**97**	**(1)**	**–**	**96**
At 31 December 2021	**1,980**	**422**	**118**	**20**	**2,540**
Accumulated depreciation and impairment loss					
At 1 January 2021	1,444	1,663	80	10	3,197
Depreciation charge for the year	115	49	14	2	180
Transferred to assets held for sale	–	(1,366)	–	–	(1,366)
Exchange differences	–	76	–	–	76
At 31 December 2021	1,559	422	94	12	2,087
Net carrying amount					
At 31 December 2021	421	–	24	8	453

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Group	Office premises $'000	Land use rights[1] $'000	Motor vehicles $'000	Office equipment $'000	Total $'000
2020					
Cost					
At 1 January 2020	1,391	2,030	119	20	3,560
Additions	589	–	–	–	589
Exchange differences	–	104	–	–	104
At 31 December 2020	1,980	2,134	119	20	4,253
Accumulated depreciation and impairment loss					
At 1 January 2020	1,345	1,406	66	8	2,825
Depreciation charge for the year	99	67	14	2	182
Impairment loss	–	121	–	–	121
Exchange differences	–	69	–	–	69
At 31 December 2020	1,444	1,663	80	10	3,197
Net carrying amount					
At 31 December 2020	536	471	39	10	1,056

(1) The land use rights held by the Group relate to properties at No. 1 Binjiang South Road, Taixing Economic Development Zone, Jiangsu Province, the PRC, 8 Binjiang South Road, Taixing Economic Development Zone, Jiangsu Province, the PRC and Plot 43/1 Hong Si Cun, Tang-Zhen Pudong, Shanghai, the PRC. The land use rights have 20 to 50 years tenure commencing at various dates from 1998 to 2006. As at 31 December 2021, the remaining amortisation period of the land use rights (transferred to assets held for sale) in 1 Binjiang South Road, Taixing Economic Development Zone, Jiangsu Province, 8 Binjiang South Road, Taixing Economic Development Zone, Jiangsu Province and Tang-Zhen Pudong are 33 years, 34 years, and 6 years respectively.

Assets pledged as security

At 31 December 2021, the Group's land use rights with a carrying amount of $nil (2020: S$471,000) is mortgaged to secure the Group's bank loans as disclosed in Note 21 to the financial statements.

Impairment of assets

During the current financial year, the Group carried out a review of the recoverable amount of its right-of-use assets due to losses incurred. There is no additional impairment loss recognised for the financial year ended 31 December 2021. During the previous financial year ended 31 December 2020, an impairment loss $121,000 was recognised on the right-of-use assets relating to the leased office premises in the PRC as the recoverable amount of the asset was projected to be below its net book value. The recoverable amount is computed based on value in use using a discounted cash flow projection. The post-tax discount rate used is 11.45% (2020: 15.5%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The carrying amounts of lease liabilities and the movements during the period are disclosed in Note 21 and the maturity analysis of lease liabilities is disclosed below and in Note 30 (b).

The following are the amounts recognised in profit or loss:

	Group	
	2021	**2020**
	$'000	**$'000**
Depreciation of right-of-use assets	**180**	182
Impairment of right-of-use assets	**–**	121
Interest on lease liabilities	**53**	62

Total cash outflows for leases amounted to S$461,000 (2020: $386,000).

Future minimum lease payments are disclosed as follows:

	Group	
	Minimum payments	**Present value of payments**
	2021	**2021**
	$'000	**$'000**
Not later than one year	**344**	**326**
One to two years	**279**	**247**
Two to three years	**105**	**101**
Total minimum lease payments	**728**	**674**
Less: amounts representing finance charges	**(54)**	**–**
Present value of minimum lease payments	**674**	**674**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Future minimum lease payments are disclosed as follows: (Continued)

	Group	
	Minimum payments 2020 $'000	**Present value of payments 2020 $'000**
Not later than one year	593	527
One to two years	496	453
Two to three years	216	214
Total minimum lease payments	1,305	1,194
Less: amounts representing finance charges	(111)	–
Present value of minimum lease payments	1,194	1,194

	Company	
	Minimum payments 2021 $'000	**Present value of payments 2021 $'000**
Not later than one year	**2**	**2**
Total minimum lease payments	**2**	**2**
Less: amounts representing finance charges	*****	**–**
Present value of minimum lease payments	**2**	**2**

	Company	
	Minimum payments 2020 $'000	**Present value of payments 2020 $'000**
Not later than one year	8	7
One to two years	2	2
Total minimum lease payments	10	9
Less: amounts representing finance charges	(1)	–
Present value of minimum lease payments	9	9

* Not material

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

11 INTANGIBLE ASSETS

	Group Software $'000	Company Software $'000
2021		
Cost		
At 1 January 2021	**1,036**	**807**
Exchange differences	**(1)**	**–**
At 31 December 2021	**1,035**	**807**
Accumulated amortisation		
At 1 January 2021	**716**	**485**
Amortisation	**161**	**162**
At 31 December 2021	**877**	**647**
Net carrying amount		
At 31 December 2021	**158**	**160**
2020		
Cost		
At 1 January 2020	1,025	807
Exchange differences	11	–
At 31 December 2020	1,036	807
Accumulated amortisation		
At 1 January 2020	372	162
Amortisation	161	161
Impairment	162	162
Exchange differences	21	–
At 31 December 2020	716	485
Net carrying amount		
At 31 December 2020	320	322

Amortisation of intangible assets is charged to general and administrative expenses in the consolidated statement of comprehensive income.

Software pertains to an enterprise-wide information system designed to coordinate information on resources, and activities needed to enable the conduct of the business. As at 31 December 2021, the remaining amortisation period of software is 1 year (2020: 2 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

11 INTANGIBLE ASSETS (CONTINUED)

Impairment of assets

During the current financial year, the Group carried out a review of the recoverable amount of its production facility and equipment, which is defined as the cash generating units ('CGUs') due to losses incurred.

There is no additional impairment loss recognised for the financial year ended 31 December 2021. During the previous financial year, impairment losses of S$162,000 was recognised on the intangible assets as the recoverable amount of the assets was projected to be below its net book value.

The recoverable amounts were computed based on value in use using a discounted cash flow projection. The post-tax discount rates used were 12.42% (Singapore), 11.19% (Malaysia) and 11.45% (China) (2020: 10.5% (Singapore), 13.0% (Malaysia) and 15.5% (China)).

12 INVESTMENT IN SUBSIDIARIES

	Company	
	2021	**2020**
	$'000	**$'000**
Unquoted equity shares, at cost	**12,650**	13,090
Add: Addition	**–**	40
Less: Strike-off	**–**	(480)
Less: Impairment losses	**(7,531)**	(7,531)
	5,119	5,119

(a) *Composition of the Group*

The Group has the following investment in subsidiaries:

Name of subsidiaries	Principal activities	Country of incorporation	Proportion (%) of ownership interest	
			2021	**2020**
			%	**%**
Held by the Company				
Matex Holdings Pte Ltd ("MHPL")[(4)]	General wholesale trading & dyestuffs manufacturing	Singapore	**100**	100
Shanghai Matex Chemicals Co., Ltd ("SMC")[(2)]	Sale of dyestuffs	PRC	**60**	60

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) *Composition of the Group* (Continued)

Name of subsidiaries	Principal activities	Country of incorporation	Proportion (%) of ownership interest 2021 %	2020 %
Unimatex Sdn Bhd ("USB")(1)	Formulating, manufacturing and sale of dyestuffs, auxiliaries and optical brighteners	Malaysia	**100**	100
Amly Chemicals Co., Ltd ("ACL")(2)	Manufacturing and sale of dyestuffs, auxiliaries and textile chemicals	PRC	**100**	100
Matex Chemicals (Taixing) Co., Ltd ("MCT")(5)	Manufacturing and sale of dyestuffs	PRC	**60**	60
Dedot Sdn Bhd ("DSB")(3)	Manufacturing and wholesale of all kinds of garments, textile products and chemical products (currently dormant)	Malaysia	**100**	100
Matex Chemicals Technologies (Shanghai) Co., Ltd ("MTL")(2)	General wholesale trading	PRC	**100**	100
Held through a subsidiary				
Dedot Trading (Shanghai) Co., Ltd ("DTS")(2)	Import, export and wholesale of all kinds of garments, textile products and chemical products	PRC	**100**	100

(1) Audited by Moore Stephens Associates PLT, Malaysia (a member firm of Moore Global Network Limited);
(2) Audited by Shanghai ZhongHui, Certified Public Accountants in the PRC;
(3) Audited by Ling Kam Hoong & Co., Certified Public Accountants in Malaysia;
(4) Audited by AccAssurance LLP, Chartered Accountants in Singapore;
(5) Audited by Moore Da-Hua, Certified Public Accountants in the PRC (a member firm of Moore Global Network Limited)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) *Composition of the Group* (Continued)

Management has performed an impairment assessment for subsidiaries with indicators of impairment based on their estimation of recoverable amount. Due to stringent environmental and safety compliance measures implemented by the government of the PRC in recent years, the production facilities located in China had to undergo retrofitting work by phases. These have disrupted production due to restricted capacity and resulted in low sales and losses recorded by these subsidiaries.

As at 31 December 2021, an impairment loss of $7,496,000 (2020: S$7,496,000) was made on the investment in subsidiaries. Recoverable amount of the equity investments, based on value in use calculation, was projected to be below each Company's cost of investment. Cash flows in the value in use calculation were discounted between 8% to 14% (2020: 10.5% to 15.5%) per annum.

Dedot Sdn Bhd ("DSB") is currently dormant and is in a net tangible liabilities position. The cost of investment of $35,000 (2020: $35,000) in DSB has been fully impaired.

(b) *Interest in subsidiaries with material non-controlling interest ("NCI")*

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Loss allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period
31 December 2021:				
Matex Chemicals (Taixing) Co., Ltd	PRC	**40%**	**(1,499)**	**(2,564)**
Shanghai Matex Chemicals Co., Ltd	PRC	**40%**	**(630)**	**1,838**
31 December 2020:				
Matex Chemicals (Taixing) Co., Ltd	PRC	40%	(2,871)	(1,065)
Shanghai Matex Chemicals Co., Ltd	PRC	40%	(576)	2,468

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) *Summarised financial information about subsidiaries with material NCI*

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised statements of financial positions

	Shanghai Matex Chemicals Co., Ltd ("SMC")		Matex Chemicals (Taixing) Co., Ltd. ("MCT")	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Current				
Assets	**8,382**	10,239	**6,582**	8,854
Liabilities	**(3,907)**	(3,984)	**(20,590)**	(19,318)
Net current assets/(liabilities)	**4,475**	6,255	**(14,008)**	(10,464)
Non-current				
Assets	**122**	115	**7,596**	7,801
Liabilities	**–**	(201)	**–**	–
Net non-current assets	**122**	(86)	**7,596**	7,801
Net assets/(Net liabilities)	**4,597**	6,169	**(6,412)**	(2,663)

Summarised statement of comprehensive income

	SMC		MCT	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Revenue	**1,313**	956	**7,907**	11,952
Loss before taxation	**(1,819)**	(1,854)	**(3,533)**	(7,178)
Income tax expense	**–**	–	**–**	–
Loss after tax	**(1,819)**	(1,854)	**(3,533)**	(7,178)
Other comprehensive income	**–**	–	**–**	–
Total comprehensive loss	**(1,819)**	(1,854)	**(3,533)**	(7,178)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

13 INVENTORIES

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Statement of financial position				
Raw materials	**958**	3,234	**–**	–
Work-in-progress	**86**	1,047	**–**	–
Finished goods	**1,486**	6,130	**–**	–
Total inventories at lower of cost and net realisable value	**2,530**	10,411	**–**	–
Statement of comprehensive income:				
Inventories recognised as an expense in cost of sales	**18,285**	18,598	**–**	–
Write back of inventory provision credited to the income statement	**(162)**	(397)	**–**	(1)
Inventories written down charged to the income statement	**12**	59	**–**	–

14 TRADE AND NOTES RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Trade receivables				
– Third parties	**1,778**	3,331	**–**	181
– Amount due from a subsidiary	**–**	–	**784**	828
	1,778	3,331	**784**	1,009
Notes receivables	**376**	1,465	**–**	–
Total trade and notes receivables	**2,154**	4,796	**784**	1,009
Add:				
Other receivables (Note 15)	**1,083**	1,156	**2**	13
Deposits (Note 15)	**39**	38	**1**	–
Amount due from subsidiaries (Note 15)	**–**	–	**1,156**	1,897
Cash and bank balances (Note 16)	**5,654**	4,469	**177**	135
Fixed deposits (Note 16)	**1,501**	1,500	**–**	–
Total financial assets carried at amortised cost	**10,431**	11,959	**2,120**	3,054

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

14 TRADE AND NOTES RECEIVABLES (CONTINUED)

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currencies (other than the respective functional currency of the Group entities) at 31 December are as follows:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**440**	672	**784**	1,009

The notes receivables are with financial institutions in the PRC which are non-interest bearing and have repayment terms ranging from 1 to 12 months (2020: 1 to 12 months). All note receivables are trade-related.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL is as follows:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Movement in allowance accounts:				
At 1 January	**3,674**	3,577	**1,661**	1,661
Charge for the year	**–**	85	**–**	–
Written-back	**(100)**	(152)	**(284)**	–
Transfer to asset held for sale	**(376)**	–	**–**	–
Exchange differences	**112**	164	**–**	–
At 31 December	**3,310**	3,674	**1,377**	1,661

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

15 OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Other receivables	**1,083**	1,156	**2**	13
Deposits	**39**	38	**1**	–
Tax recoverable	**78**	123	**–**	–
Amounts due from subsidiaries	**–**	–	**1,156**	1,897
	1,200	1,317	**1,159**	1,910

The amounts due from subsidiaries are non-trade related, unsecured, non-interest bearing and repayable on demand and are to be settled in cash.

Other receivables comprise mainly advances granted to third party and sales offices located at the PRC for operational purposes. The amount is non-interest bearing and repayable on demand.

16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Cash at banks and on hand	**5,654**	4,469	**177**	135
Fixed deposits	**1,501**	1,500	**–**	–
	7,155	5,969	**177**	135
Less: Restricted cash	**(1,500)**	(1,500)	**–**	–
Add: Cash at bank incurred in asset held for sale	**800**	–	**–**	–
	6,455	4,469	**177**	135

Restricted cash are cash that are placed as collateral with banks for the term loans taken up by subsidiaries.

Cash at bank earned interest at rates based on daily bank deposit rates ranging from 0.05% to 0.25% (2020: 0.05% to 0.25%) per annum.

Fixed deposits are placed with financial institutions for varying periods of between 7 days to 6 months depending on the immediate cash requirements of the Group. The fixed deposits earned interest at fixed deposit rates ranging from 0.15% to 0.30% (2020: 0.15% to 0.30%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

16 CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents denominated in currencies (other than the respective functional currency of the Group entities) at 31 December are as follows:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**1,729**	625	**54**	24

17 ASSETS/LIABILITIES HELD FOR SALE

(i) Proposed disposal of Matex Chemicals (Taixing) Co., Ltd. ("MCT")

On 7 April 2021, the Group has announced the strategic disposal of the Group's 60% equity interest in MCT (the "Proposed Disposal 1") to Shengzhou Lv Huan Digital Offset Printing Co., Ltd.. On 28 April 2021, the Group obtained Shareholders' approval for the Proposed Disposal at the extraordinary general meeting held on the same day. The Proposed Disposal is subject to certain conditions precedent, including having the shareholders of the remaining 40% equity interest in MCT ("Other Shareholders of MCT") to also sell their stakes to the purchaser. The proposed disposal has yet to be completed at the date of these financial statements.

(ii) Proposed disposal of Amly Chemicals Co., Ltd. ("ACL")

On 26 August 2021, the Group has entered into a non-binding Memorandum of Understanding in relation to a proposed disposal of ACL (the "Proposed Disposal 2"). Subsequent to the financial year, on 23 February 2022, the Group has entered into a sale and purchase agreement (the "Agreement") with Taixing Jinfu Chemistry Co. Ltd, (the "Purchaser") in respect of the sale of 100% of the registered capital in ACL holding for a cash consideration of RMB50,000,000 (S$10,600,000). The proposed disposal has yet to be completed at the date of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17 ASSETS/LIABILITIES HELD FOR SALE (CONTINUED)

		Group	
		2021	2020
		$'000	$'000
Total Assets (excluding intercompany balances)			
Assets related to MCT – Proposed Disposal 1	(a)	13,784	–
Assets related to ACL – Proposed Disposal 2	(b)	2,134	–
		15,918	–
Total Liabilities (excluding intercompany balances)			
Liabilities related to MCT – Proposed Disposal 1	(a)	(7,718)	–
Liabilities related to ACL – Proposed Disposal 2	(b)	(2,879)	–
		(10,597)	–

(a) Assets/liabilities related to MCT – Proposed Disposal 1

The major classes of assets and liabilities (excluding intercompany balances) at the end of the reporting period were as follows:

	2021
	$'000
Assets	
Property, plant and equipment	**6,831**
Right-of-use assets	**371**
Inventories	**4,349**
Trade and notes receivables	**1,730**
Cash and bank balances	**503**
	13,784
Liabilities	
Trade payables	**(6)**
Bill payables to banks	**(254)**
Other payables and accruals	**(1,802)**
Term loans	**(5,656)**
	(7,718)
Net assets held for sale	**6,066**

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17 ASSETS/LIABILITIES HELD FOR SALE (CONTINUED)

(b) Assets/liabilities related to ACL – Proposed Disposal 2

The major classes of assets and liabilities (excluding intercompany balances) at the end of the reporting period were as follows:

	2021 $'000
Assets	
Property, plant and equipment	**1,398**
Right-of-use assets	**72**
Inventories	**274**
Trade and notes receivables	**42**
Other receivables and deposits	**51**
Cash and bank balances	**297**
	2,134
Liabilities	
Trade payables	**(280)**
Other payables and accruals	**(479)**
Term loans	**(2,120)**
	(2,879)
Net liabilities held for sale	**(745)**

18 TRADE PAYABLES

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trade payables	**1,328**	2,462	**–**	–
Add:				
Bill payables to banks (Note 19)	**–**	152	**–**	–
Other payables and accruals* (Note 20)	**4,981**	5,121	**197**	312
Lease liabilities (Note 10)	**674**	1,194	**–**	9
Term loans (Note 21)	**5,447**	10,483	**–**	–
Less:				
Provision for unutilised leave	**(38)**	(50)	**(15)**	(26)
Deferred capital grant (Note 20)	**–**	(187)	**–**	–
Total financial liabilities at amortised cost	**12,392**	19,175	**182**	295

* including non-current amounts

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

18 TRADE PAYABLES (CONTINUED)

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Trade payables denominated in currencies (other than the respective functional currency of the Group entities) at 31 December are as follows:

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
United States Dollar	**279**	88	**–**	–

19 BILL PAYABLES TO BANKS

	Interest rates (per annum)		Group	
	2021	2020	2021	2020
	%	%	$'000	$'000
Interest bearing	**–**	4.36 – 6.45	**–**	152

20 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Other payables	**4,586**	4,347	**2**	136
Accrued operating expenses	**237**	171	**146**	129
Accrued payroll related expenses	**158**	416	**49**	47
Deferred capital grant	**–**	187	**–**	–
	4,981	5,121	**197**	312

Other payables and accruals are presented as follows:

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Current liabilities	**4,981**	5,108	**197**	312
Non-current liabilities	**–**	13	**–**	–
	4,981	5,121	**197**	312

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 OTHER PAYABLES AND ACCRUALS (CONTINUED)

Other payables are non-interest bearing and are generally settled on 30 to 90 days' terms.

Deferred capital grant relates to a government grant received from a local authority in the PRC for compliance of sustainability initiatives implemented through upgrading of a subsidiary's production facilities. The deferred capital grant is amortised over an estimated useful life of the assets of 10 years.

21 TERM LOANS

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
SGD loan	**4,174**	2,573	**–**	–
Chinese Renminbi ("RMB") loans	**1,273**	7,910	**–**	–
	5,447	10,483	**–**	–

The term loans are presented as follows:

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Current	**1,948**	8,534	**–**	–
Non-current	**3,499**	1,949	**–**	–
	5,447	10,483	**–**	–

SGD loan: The temporary bridging loans of $2,000,000 at the interest rate of 2.50%, $750,000 at the interest rate of 4.25% and $2,205,000 at the interest rate of 4.75% were drawn down by a subsidiary. The $2,000,000 loan is repayable over 5 years and is secured by corporate guarantee provided by the Company. The $750,000 loan is repayable over 3 years and is secured by corporate guarantee provided by the Company and joint and several guarantees of the directors. The $2,205,000 loan is repayable over 47 equal instalments of $14,000 and a final instalment of $1,941,288 after 12-months of interest servicing period from the date of the draw-down and is secured by corporate guarantee provided by the Company and joint and several guarantees of the directors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

21 TERM LOANS (CONTINUED)

RMB loans: These loans are drawn down by subsidiaries in the PRC. They are repayable within 12 months from the date of draw down but can be rolled over at the bank's discretion. These loans are due between February 2022 to May 2022. Other than RMB2,000,000 (S$424,000) loan which is at an interest rate of 20 basis point below bank's prime rate, the other RMB loan bear the same rate as bank's prime rate. The loan is secured by corporate guarantee provided by the Company and joint and several guarantees of the directors.

A reconciliation of liabilities arising from financing activities is as follows:

			Non-cash changes			
	1 January 2021 $'000	Net cash flows $'000	Accretion of interest for lease liabilities $'000	Foreign exchange movement $'000	Others $'000	31 December 2021 $'000
Term loans	**10,483**	2,368	–	372	(7,776)	**5,447**
Lease liabilities (Note 10)						
– current	**527**	(461)	53	(103)	310	**326**
– non-current	**667**	–	–	(9)	(310)	**348**
Total	**11,677**	1,907	53	260	(7,776)	**6,121**

				Non-cash changes			
	1 January 2020 $'000	Net cash flows $'000	New leases $'000	Accretion of interest for lease liabilities $'000	Foreign exchange movement $'000	Others $'000	31 December 2020 $'000
Term loans	6,176	4,572	–	–	(265)	–	10,483
Lease liabilities (Note 10)							
– current	417	(386)	103	62	(44)	375	527
– non-current	624	–	446	–	(28)	(375)	667
Total	7,217	4,186	549	62	(337)	–	11,677

The 'other' column relates to transfer to liabilities held for sale and reclassification of non-current portion of lease liability to current.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

22 DEFERRED TAX

Deferred tax liabilities as at 31 December relate to the following:

	Group	
	2021	**2020**
	$'000	**$'000**
Undistributed earnings of subsidiaries	**74**	51

An analysis of the deferred tax liabilities is as follows:

	Group	
	2021	**2020**
	$'000	**$'000**
At 1 January	**51**	45
Movement in deferred taxes:		
– current financial year	**23**	6
At 31 December	**74**	51

Unrecognised tax losses and deductible temporary differences

The Group has unutilised tax losses and deductible temporary differences of approximately $52,000,000 (2020: $48,830,000) and $623,000 (2020: $1,182,000) and the Company has unutilised tax losses of $23,489,000 (2020: $23,054,000) respectively, that are available for offset against future taxable incomes of the entities in which the tax losses arose, for which no deferred tax asset was recognised due to uncertainty of its recoverability. The use of these tax losses and deductible temporary differences are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the entities operate. The tax losses have no expiry date except for the tax losses from the PRC as shown below.

Year incurred	**Expiry date**	**Unrecognised tax losses $'000**
2017	31 December 2022	4,334
2018	31 December 2023	4,758
2019	31 December 2024	7,461
2020	31 December 2025	6,279
2021	31 December 2026	2,419

The unabsorbed tax losses from the PRC which expired in the current year was $389,000 (2020: $1,198,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

22 DEFERRED TAX (CONTINUED)

Temporary differences relating to investments in subsidiaries

At the end of the reporting period, $74,000 (2020: $51,000) of deferred tax liabilities have been recognised for taxes that would be payable on the undistributed earnings of the Group's subsidiaries.

23 SHARE CAPITAL

	Group and Company			
	2021		2020	
	Number of shares		Number of shares	
	'000	$'000	'000	$'000
Issued and fully paid ordinary shares:				
At beginning of the year	**311,698**	**24,603**	267,392	23,406
Rights issue during the year	**–**	**–**	44,306	1,197
At end of the year	**311,698**	**24,603**	311,698	24,603

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

24 CAPITAL RESERVE

This pertains to a non-distributable capital income arising from the restructuring of subsidiary companies in prior years.

25 ENTERPRISE EXPANSION AND GENERAL RESERVE

This pertains to a general reserve fund and an enterprise expansion reserve fund set up by the Group's subsidiaries in the PRC, in accordance with local laws and regulations, by way of appropriation from their net profit at a rate determined by the companies. The respective board of directors of the subsidiaries have decided that 20% of the profit after taxation be appropriated each year, of which 10% be appropriated to the general reserve fund and 10% be appropriated to the enterprise expansion reserve fund.

The general reserve and the enterprise expansion reserve may be used to offset accumulated losses or increase the registered capital of the subsidiaries, subject to approval from the authorities of the PRC. The reserves are not available for dividend distribution to the shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

26 TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

27 LOSS PER SHARE

Loss per share is calculated by dividing the net loss attributable to owners of the Company of $4,930,000 (2020: loss of $6,375,000) by the weighted average number of ordinary shares outstanding during the year of 311,698,153 (2020: 267,756,478) shares.

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares as at 31 December 2021 and 2020.

28 RELATED PARTY TRANSACTIONS

There were no related party transactions during the year by the Group other than the compensation of key management personnel below.

Compensation of key management personnel

	Group	
	2021	**2020**
	$'000	**$'000**
Short-term employee benefits	**720**	744
Defined contribution plans	**46**	40
Other short-term benefits	**119**	15
	885	799
Comprise amounts paid to:		
– Directors of the Company	**413**	423
– Other key management personnel	**472**	376
	885	799

NOTES TO THE FINANCIAL STATEMENTS

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29 SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's geographical segments only as it is not meaningful to present segmental reporting by business segments since revenue of the Group is primarily derived from the manufacture and sale of dyestuffs and auxiliaries.

Inter-segment pricing is determined on an arm's length basis. The Group's operating businesses are organised and managed separately by geographical segments based on location of assets. Revenue, assets and additions to property, plant and equipment are based on the location of those assets.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total costs incurred during the financial year to acquire segment assets that are expected to be used for more than one year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29 SEGMENT INFORMATION (CONTINUED)

	PRC		Other Asia Pacific Countries		Elimination		Note	Group	
	2021	2020	2021	2020	2021	2020		2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue									
External customers	**15,640**	18,326	**5,285**	6,303	**–**	–		**20.925**	24,629
Inter-segment	**9,603**	12,360	**808**	1,457	**(10,411)**	(13,817)	A	**–**	–
Total revenue	**25,243**	30,686	**6,093**	7,760				**20,925**	24,629
Results									
Interest income	**21**	39	**–**	–	**–**	–		**21**	39
Depreciation and amortisation	**(908)**	(1,491)	**(396)**	(377)	**–**	–		**(1,304)**	(1,868)
Reversal of impairment/ (impairment) losses on non-financial assets	**10**	(3,091)	**–**	(162)	**–**	–	B	**10**	(3,253)
Interest expense	**(582)**	(506)	**(146)**	(41)	**–**	–		**(728)**	(547)
Other non-cash income/ (expenses)	**(3)**	84	**272**	64	**(18)**	(53)	C	**251**	95
Segment loss	**(5,945)**	(8,818)	**(1,123)**	(1,603)	**25**	483	D	**(7,043)**	(9,938)
Income tax expense	**(29)**	(45)	**–**	(6)	**–**	–		**(29)**	(51)
Assets									
Additions to non-current assets	**263**	437	**10**	842	**–**	–	E	**273**	1,279
Segment assets	**39,168**	38,814	**15,038**	15,939	**(23,986)**	(21,235)	F	**30,220**	33,518
Segment liabilities	**34,530**	28,538	**7,568**	7,334	**(18,954)**	(16,285)	G	**23,144**	19,587

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29 SEGMENT INFORMATION (CONTINUED)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A Inter-segment revenues are eliminated on consolidation.

B Impairment losses on non-financial assets consist of impairment charges to property, plant and equipment, right-of-use assets and intangible assets. Impairment of investment in subsidiaries is eliminated on consolidation.

C Other non-cash income/(expenses) consist of gain/(loss) on disposal of plant and equipment, impairment of trade receivables, and inventories written down as presented in the respective notes to the financial statements.

D The following items are added to/(deducted from) segment loss to arrive at "loss before taxation" presented in the consolidated statement of comprehensive income:

	2021 $'000	2020 $'000
Loss/(gains) from inter-segment sales	**(8)**	30
General and administrative expenses	**33**	420
Other operating expenses/(income)	**–**	33
	25	483

E Additions to non-current assets consist of additions to property, plant and equipment, right-of-use assets and intangible assets.

F The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2021 $'000	2020 $'000
Inter-segment assets	**(5,611)**	(5,674)
Intercompany balances	**(18,375)**	(15,561)
	(23,986)	(21,235)

G The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2021 $'000	2020 $'000
Inter-segment liabilities	**74**	51
Intercompany balances	**(19,028)**	(16,336)
	(18,954)	(16,285)

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees on policies for managing each of these risks and they are summarised below. It is, and has been, throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

NOTES TO THE FINANCIAL STATEMENTS

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30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The following sections provide details regarding the Group's and the Company's exposure (excluding assets/liabilities held for sales) to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risks arises primarily from trade receivables. For other financial assets (including cash and cash equivalents and notes receivables), the Group and the Company minimise credit risk by dealing with high credit rating counterparties.

It is the Group's and the Company's policy to provide credit terms to creditworthy customers where credit terms granted are usually due within 30 to 90 days from the date of billing. Receivable balances are monitored on an ongoing basis. The Group has strict credit policy for new customers by requesting for 20% to 30% of the contractual sum as advance payment for PRC customers. The Group and the Company do not expect to incur material credit losses except as provided for in the financial statements.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group and the Company have determined the default event on a financial asset to be when the counterparty fails to make contractual payments, after a year they fall due for customers located in the PRC and after 180 days for customers located in Asia Pacific, which are derived based on the Group's and the Company's historical information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk* (Continued)

The Group and the Company consider available reasonable and supportive forwarding-looking information which includes the following indicators:

– Internal credit rating

– External credit rating

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– Actual or expected significant changes in the operating results of the borrower

– Significant increases in credit risk on other financial instruments of the same borrower

– Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

– Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and the Company and changes in the operating results of the borrower.

Regardless of the analysis above, a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– There is significant difficulty of the issuer or the borrower

– A breach of contract, such as a default or past due event

– It is becoming probable that the borrower will enter bankruptcy or other financial re-organisation

– There is a disappearance of an active market for that financial asset because of financial difficulty.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk* (Continued)

The Group and the Company categorise a receivable for potential write-off when a debtor fails to make contractual payments more than a year past due. It is a common practice in the Group's industry for payments to be made 3 to 12 months after the offered credit term, particularly for PRC, where it is common for debtors to make payment after the due date. Financial assets are potentially written off after 5 years when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group and the Company continue to engage enforcement activity such as sending demand or lawyer letters to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables

The Group and the Company provides for lifetime expected credit losses for its trade receivables using a provision matrix. The provision rates are determined based on Group's historical credit loss experience, that is taking 10 years average of impairment made during the year over the net trade receivables as at each year end. Information regarding loss allowance movement of trade receivables are disclosed in Note 15 to the financial statements. The expected credit losses also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

PRC:

	Current $'000	Less than 3 months due $'000	3 months to 6 months due $'000	6 to 12 months due $'000	More than 12 months due $'000	Total $'000
At 31 December 2021						
Gross carrying amount	881	31	–	3	2,280	3,195
Loss allowance provision	(13)	–	–	–	(2,253)	(2,266)
Net carrying amount	868	31	–	3	27	929

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk* (Continued)

Other Asia Pacific:

	Current $'000	Less than 3 months due $'000	3 months to 6 months due $'000	6 to 12 months due $'000	More than 12 months due $'000	Total $'000
At 31 December 2021						
Gross carrying amount	**528**	**325**	**–**	**–**	**1,040**	**1,893**
Loss allowance provision	**(4)**	**–**	**–**	**–**	**(1,040)**	**(1,044)**
Net carrying amount	**524**	**325**	**–**	**–**	**–**	**849**

PRC:

	Current $'000	Less than 3 months due $'000	3 months to 6 months due $'000	6 to 12 months due $'000	More than 12 months due $'000	Total $'000
At 31 December 2020						
Gross carrying amount	779	516	203	189	3,071	4,758
Loss allowance provision	(20)	(11)	(6)	(6)	(2,595)	(2,638)
Net carrying amount	759	505	197	183	476	2,120

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk* (Continued)

Other Asia Pacific:

	Current $'000	Less than 3 months due $'000	3 months to 6 months due $'000	6 to 12 months due $'000	More than 12 months due $'000	Total $'000
At 31 December 2020						
Gross carrying amount	400	569	53	–	1,225	2,247
Loss allowance provision	–	–	–	–	(1,036)	(1,036)
Net carrying amount	400	569	53	–	189	1,211

Excessive risk concentration

Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. One way is to increase its market shares outside PRC.

There is no credit risk concentration other than those described below.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk* (Continued)

Credit risk concentration profile

Group

The Group determines concentrations of credit risk by monitoring the geographical profile of its trade receivables on an on-going basis. The Group provides expected credit loss for its trade receivables. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2021		2020	
	$'000	% of total	$'000	% of total
By geographical region:				
PRC	**849**	**48**	2,120	64
Other Asia Pacific countries	**929**	**52**	1,211	36
	1,778	**100**	3,331	100

Company

At the end of the reporting period, approximately 92% (2020: 93%) of the Company's trade and other receivables were balances with subsidiaries.

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance lease and stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with few different banks.

The Group monitors its liquidity risk and maintains adequate level of cash and cash equivalents to finance the Group's operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) *Liquidity risk* (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	One year or less $'000	One to five years $'000	Total $'000
2021			
Financial assets:			
Trade, notes and other receivables	**3,276**	**–**	**3,276**
Cash and bank balances	**5,654**	**–**	**5,654**
Fixed deposits	**1,501**	**–**	**1,501**
Total undiscounted financial assets	**10,431**	**–**	**10,431**
Financial liabilities:			
Trade, bill and other payables	**6,309**	**–**	**6,309**
Lease liabilities	**344**	**384**	**728**
Term loans	**2,149**	**3,882**	**6,031**
Total undiscounted financial liabilities	**8,802**	**4,266**	**13,068**
Total net undiscounted financial assets/(liabilities)	**1,629**	**(4,266)**	**(2,637)**
2020			
Financial assets:			
Trade, notes and other receivables	5,990	–	5,990
Cash and bank balances	4,469	–	4,469
Fixed deposits	1,500	–	1,500
Total undiscounted financial assets	11,959	–	11,959
Financial liabilities:			
Trade, bill and other payables	7,735	–	7,735
Lease liabilities	593	712	1,305
Term loans	9,065	2,037	11,102
Total undiscounted financial liabilities	17,393	2,749	20,142
Total net undiscounted financial liabilities	(5,434)	(2,749)	(8,183)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) *Liquidity risk* (Continued)

Company	One year or less $'000	One to five years $'000	Total $'000
2021			
Financial assets:			
Trade and other receivables	**1,943**	**–**	**1,943**
Cash and bank balances	**177**	**–**	**177**
Total undiscounted financial assets	**2,120**	**–**	**2,120**
Financial liabilities:			
Trade and other payables	**197**	**–**	**197**
Lease liabilities	**2**	**–**	**2**
Total undiscounted financial liabilities	**199**	**–**	**199**
Total net undiscounted financial assets	**1,921**	**–**	**1,921**
2020			
Financial assets:			
Trade and other receivables	2,919	–	2,919
Cash and bank balances	135	–	135
Total undiscounted financial assets	3,054	–	3,054
Financial liabilities:			
Trade and other payables	312	–	312
Lease liabilities	8	2	10
Total undiscounted financial liabilities	320	2	322
Total net undiscounted financial assets	2,734	(2)	2,732

(c) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily USD. These give rise to foreign currency risk. However, the Group tries to match the timing of its receipts and payments in the same foreign currency in an effort to reduce foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) *Foreign currency risk* (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before taxation with a reasonably possible change in the USD against the respective functional currencies of the Group's entities, with all other variables held constant.

		Group	
		2021	**2020**
		Loss before tax	**Loss before tax**
		$'000	**$'000**
USD/SGD	– strengthened 3% (2020: 3%)	**+47**	+30
	– weakened 3% (2020: 3%)	**-47**	-30

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and liabilities that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of current trade and notes receivables, other receivables and deposits, cash and cash equivalents, trade and other payables, bill payables to banks, and term loans, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

The carrying amounts of non-current trade receivables, term loans and lease liabilities approximate fair value, which were determined and estimated by discounting future cash flows at market incremental interest rate for similar type of borrowings or leasing arrangement at the reporting date.

32 CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

32 **CAPITAL MANAGEMENT** (CONTINUED)

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

As disclosed in Note 25 to the financial statements, subsidiaries in the PRC are required to contribute and maintain non-distributable general and enterprise expansion reserve fund, whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using gearing ratio. The Group's debt includes loans and lease liabilities. Total equity includes all share capital and reserves of the Group.

	Group	
	2021	**2020**
	$'000	**$'000**
Debts*	**6,121**	11,677
Cash and bank balances*	**(5,654)**	(4,469)
Net debt	**467**	7,208
Total equity	**7,076**	13,931
Gearing ratio	**7%**	52%

* Excluding assets/liabilities held for sale

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2022

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	37	3.59	316	0.00
100 – 1,000	99	9.60	91,610	0.03
1,001 – 10,000	269	26.09	1,606,700	0.52
10,001 – 1,000,000	595	57.71	89,504,931	28.71
1,000,001 AND ABOVE	31	3.01	220,494,596	70.74
TOTAL	**1,031**	**100.00**	**311,698,153**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TAN PANG KEE	87,972,630	28.22
2	DBS NOMINEES (PRIVATE) LIMITED	35,070,100	11.25
3	GOH GUAN SIONG (WU YUANXIANG)	11,514,000	3.69
4	RAFFLES NOMINEES (PTE.) LIMITED	8,674,080	2.78
5	TAN EE SOON	8,337,582	2.67
6	PHILLIP SECURITIES PTE LTD	8,045,220	2.58
7	LEE KANG HUAT	8,000,000	2.57
8	IFAST FINANCIAL PTE. LTD.	4,720,900	1.51
9	ONG GIM LOO	4,200,000	1.35
10	SIM TECK HUAT	4,000,000	1.28
11	TAN SOON HENG	3,386,332	1.09
12	TAN CHAI CHIN	3,370,688	1.08
13	TAN YAM SOON	3,086,332	0.99
14	XU YONGSHENG	2,900,000	0.93
15	MAYBANK SECURITIES PTE. LTD.	2,775,000	0.89
16	LOH POH LIM	2,249,900	0.72
17	TAN HOCK SOON	2,000,032	0.64
18	ANG AH LEK @ AN AH LEK	2,000,000	0.64
19	LIM KIM HUAT	2,000,000	0.64
20	ROMIEN CHANDRASEGARAN	1,897,800	0.61
	TOTAL	**206,200,596**	**66.13**

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2022

SUBSTANTIAL SHAREHOLDERS AS AT 19 MARCH 2021

(as recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Tan Pang Kee	87,972,630	28.22%	–	–
Khua Kian Keong	28,850,000[1]	9.26%	–	–

Note:

1. 28,850,000 ordinary shares of Mr Khua Kian Keong are held under DBS nominee (Private) Limited.

PERCENTAGE OF SHAREHOLDINGS HELD IN PUBLIC'S HANDS

As at 19 March 2021, 62.21% of the Company's shares are held in the hand of public. Accordingly, the Company complied with Rule 723 of the Catalist Rules which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

NOTICE OF THIRTY-SECOND ANNUAL GENERAL MEETING

MATEX INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 198904222M

Notice of Thirty-Second Annual General Meeting

This Notice has been made available on the home page of the Company's corporate website (www.matex.com.sg) and SGXNET. A printed copy of this Notice will not be dispatched to members of the Company.

NOTICE IS HEREBY GIVEN that the Thirty-Second Annual General Meeting of the Company ("**AGM**" or **Meeting**) will be held by way of electronic means on Friday, 29 April 2022 at 11.00 a.m. (Singapore Time) for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolutions as set out below:

Ordinary Business

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2021 and the Auditors' Report thereon.

   [Resolution 1]

2. To re-elect Dr Alex Tan Pang Kee who is retiring pursuant to Rule 720(4) of the Catalist Rules of SGX-ST, as Director of the Company.

   Note Dr Alex Tan Pang Kee is the Chief Executive Officer and Managing Director of the Company and he will, upon re-election as a Director of the Company, remain as the Chief Executive Officer and Managing Director.

   [Resolution 2]

3. To re-elect Mr Wang DaoFu who is retiring in accordance with Article 89 of the Company's Constitution, as Director of the Company.

   Note: Mr Wang DaoFu, if re-elected, will remain as Chairman of Remuneration Committee and member of the Audit committee and Nominating committee and will be considered as an independent director.

   [Resolution 3]

4. To approve a sum of up to S$117,600 as directors' fees for the year ending 31 December 2022, to be paid quarterly in arrears. (2021: S$117,600)

   [Resolution 4]

5. To re-appoint Moore Stephens LLP as auditors and to authorise the Directors to fix their remuneration.

   [Resolution 5]

NOTICE OF THIRTY-SECOND ANNUAL GENERAL MEETING

Special Business

6. To consider and if thought fit, to pass the following resolution as ordinary resolution, with or without modification:–

Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act 1967 and Rule 806 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited

That pursuant to Section 161 of the Companies Act 1967 and Rule 806 of the Catalist Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

(a) (i) allot and issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares pursuant to any Instruments made or granted by the Directors of the Company while this Resolution was in force,

(the "**Share Issue Mandate**")

provided that:

(1) the aggregate number of Shares (including Shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued (including Shares to be issued pursuant to the Instruments) other than on a pro-rata basis to existing shareholders of the Company shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF THIRTY-SECOND ANNUAL GENERAL MEETING

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and that may be issued under sub-paragraph (1) above, the total number of issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution provided the options or awards were granted in compliance with the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

Adjustments in accordance with 6(2)(a) or 6(2)(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of passing of the Share Issue Mandate.

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law and the Catalist Rules to be held, whichever is earlier or (ii) in the case of Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of the Instruments.

[See Explanatory Note (1)] **[Resolution 6]**

7. To transact any other business that may be properly transacted at an AGM.

By Order of the Board

Dr Alex Tan Pang Kee
Chief Executive Officer and Managing Director

Singapore
14 April 2022

NOTICE OF THIRTY-SECOND ANNUAL GENERAL MEETING

Explanatory Notes:

1. The **Ordinary Resolution 6**, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to existing shareholders of the Company.

   For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares in the capital of the Company will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

Notes:

General

1. Pursuant to the COVID-19 (Temporary Measures) Act that was passed by Parliament on 7 April 2020 ("**Temporary Measures Act**") and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 issued by the Minister of Law on 13 April 2020 (as amended from time to time) ("**Meeting Orders**"), issuers are able to make alternative arrangements to hold general meetings where personal attendance is required under written law or legal instruments (such as a company's constitution). The Meeting Orders has been extended beyond 30 June 2021 and amendments to the Temporary Measures Act come into force on 29 September 2020. A joint statement was also issued on 13 April 2020, and subsequently updated on 27 April 2020, 1 October 2020 and 9 April 2021, by the Monetary Authority of Singapore, the Accounting and Corporate Regulatory Authority and the Singapore Exchange Regulation to provide guidance on the conduct of general meetings during the period when elevated safe distancing measures are in place. To help keep physical interactions and COVID-19 transmission risks to a minimum, which remain important in the long term, even as safe distancing regulations are gradually and cautiously relaxed, the AGM will be held by electronic means and members of the Company will not be allowed to attend the AGM in person.

2. Alternative arrangements are instead put in place to allow shareholders to participate in the AGM by:

   a. watching or listening to the AGM proceedings via a Live Webcast (as defined below). Shareholders who wish to participate as such will have to pre-register in the manner outlined in paragraphs 3 to 5 below;

   b. Submitting questions ahead of the AGM. Please refer to paragraphs 10 to 13 below for further details; and

   c. voting by proxy at the AGM. Please refer to paragraphs 17 to 24 below for further details.

Participation in AGM proceedings via "live" webcast

3. A shareholder of the Company or their corporate representatives (in the case of a shareholder which is a legal entity) will be able to watch or listen to the proceedings of the AGM through a "live" webcast via mobile phone, tablet or computer ("**Live Webcast**"). In order to do so, the shareholder will have to follow these steps:

   (a) Shareholders (including those who hold their shares through Relevant Intermediaries (including CPF Investors or SRS Investors)) who wish to watch or listen to the Live Webcast must pre-register with the Company at the URL: http://matex.com.sg/investor-relations/agm (the "**Matex AGM Website**") no later than 11.00 a.m. on 27 April 2022 ("**Registration Deadline**").

   (b) Corporate shareholders must also submit a copy of the Corporate Representative Certificate to the Company at eagm@matex.com.sg, in addition to the registration procedures as set out in paragraph (a) above, by the Registration Deadline, for verification purpose.

   (c) Following authentication of a shareholder's status, such shareholder will receive an email containing the login details to access the Live Webcast of the AGM proceedings.

NOTICE OF THIRTY-SECOND ANNUAL GENERAL MEETING

(d) Shareholders who have pre-registered by the Registration Deadline but do not receive the aforementioned email by 12.00 p.m. on 28 April 2022 should check the 'spam/junk' folder before contacting the Company at the following email address: eagm@matex.com.sg, with the following details included: (1) the full name of the shareholder; and (2) his/her/its identification/registration number.

4. Shareholders are reminded that the AGM proceedings are private. Login details to access the Live Webcast of the AGM proceedings should therefore not be shared with anyone who is not a shareholder of the Company or otherwise he or she shall not be authorised to attend the AGM. Recording of the Live Webcast in whatever form is also strictly prohibited.

5. Non ("**DAs**") must also contact their respective DAs to indicate their interest in order for their respective DAs to make the necessary arrangements as stated in paragraphs 14 above for them to participate in the Live Webcast of the AGM proceedings.

Submission of questions prior to the AGM

6. A member of the Company may also submit questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations. The Company will endeavour to address questions which are substantial and relevant.

7. To do so, all questions must be submitted no later than 11.00 a.m. on 22 April 2022 (the "**Submission Deadline**") through any one of the following means:

   (a) in physical copy by depositing the same at the registered office of the Company at 1003 Bukit Merah Central, #01-10, Inno Centre, Singapore 159836; or

   (b) by email to eagm@matex.com.sg.

8. If the questions are deposited in physical copy at the Company's registered office or sent via email, and in either case not accompanied by the completed and executed proxy form, the following details must be included with the submitted questions: (1) the full name of the shareholder; and (2) his/her/its identification/registration number for verification purposes, failing which the submission will be treated as invalid.

9. The Company will endeavour to address substantial and relevant questions relating to the resolution to be tabled for approval at the AGM by 11.00 a.m. on 25 April 2022.

10. Please note that shareholders will not be able to ask questions at the AGM and accordingly, it is important for shareholders to submit their questions by the Submission Deadline.

11. The Company will publish the minutes of the AGM on SGXNet and the Company's website, and the minutes will record substantial and relevant questions from shareholders relating to the resolution tabled at the AGM, and the responses from the board of directors and management (as applicable).

Voting by proxy

12. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the instrument appointing the Chairman of the Meeting as proxy ("**Proxy Form**"), failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

13. The Chairman of the Meeting, as proxy, need not be a member of the Company.

14. The Proxy Form must be submitted through any one of the following means: (a) by depositing a physical copy at the registered office of the Company at **1003 Bukit Merah Central, #01-10, Inno Centre, Singapore 159836**; or (b) by sending a scanned PDF copy by email to eagm@matex.com.sg, in each case, **no later than 11.00 a.m. on 27 April 2022**, and failing which, the Proxy Form will not be treated as valid.

15. The Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

NOTICE OF THIRTY-SECOND ANNUAL GENERAL MEETING

16. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative with respect to the AGM, in accordance with Section 179 of the Companies Act 1967 of Singapore and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

17. The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form.

18. In the case of a member of the Company whose shares are entered against his/her name in the Depository Register, the Company may reject any Proxy Form if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

19. A member of the Company who holds his/her shares through a Relevant Intermediary* (including CPF or SRS Investors) and who wish to exercise his/her votes by appointing the Chairman of the Meeting as proxy should approach his/her Relevant Intermediary (including his/her CPF Agent Bank or SRS Operator) to submit his/her voting instructions at least seven (7) working days prior to the date of the AGM.

    *A Relevant Intermediary is:

    (a) a banking corporation licensed under the Banking Act 1970 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 license to provide custodial services under the Securities and Futures Act 2001 and who holds shares in that capacity; or

    (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, 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 Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal data privacy:

By pre-registering for the Live Webcast, submitting a Proxy Form appointing the Chairman of the Meeting as proxy to vote at the AGM and/or any adjournment thereof, and/or submitting questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations, a member of the Company consents to the collection, use and disclosure of such member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration, analysis and facilitation by the Company (or its agents or service providers) of his/her/its appointment of the Chairman of the Meeting as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

This document has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Provenance Capital Pte. Ltd. ("**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), this being the SGX-ST Listing Manual Section B: Rules of Catalist The Sponsor has not independently verified the contents of this document.

This document has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume no responsibility for the contents of this document including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Ms. Wong Bee Eng, Chief Executive Officer, at 96 Robinson Road, #13-01, SIF Building, Singapore 068899. Telephone: (65) 6227 5810 Email: wongbe@provenancecapital.com.

MATEX INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 198904222M

PROXY FORM
(Please read notes overleaf before completing this Form)

IMPORTANT:
1. Alternative arrangements relating to, amongst others, attendance, submission of questions in advance and voting by proxy at the AGM are set out in the Company's announcement dated 14 April 2022 which, together with the Notice of Annual General Meeting dated 14 April 2022 have been uploaded on SGXNET. The announcement and the Notice of Annual General Meeting can also be accessed at the home page of the Company's corporate website (www.matex.com.sg).
2. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") may inform their respective CPF Agent Banks or SRS Operators to appoint the Chairman of the Meeting to act as their proxy at least seven (7) working days before the Meeting.
3. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

This Proxy Form has been made available on the home page of the Company's corporate website (www.matex.com.sg) and SGXNET. A printed copy of this Proxy Form will not be despatched to members of the Company

I/We ______________________________ (Name), ______________ (NRIC/Passport/Co. reg. No)

of ____ (Address)

being a member/members of Matex International Limited (the "**Company**") hereby appoint the **Chairman of the Meeting** as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held by way of electronic means on Friday, 29 April 2022 at 11.00 a.m. ("**AGM**" or the "**Meeting**"), and at any adjournment thereof.

I/We direct the Chairman of the Meeting to vote for, against and/or abstain from voting at the resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

*Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to exercise all your votes "For" or "Against" or to "Abstain" from voting on the relevant resolution, please indicate with an "X" in the relevant box provided below. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing the Chairman of the Meeting not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll. In the absence of specific directions, the appointment of the Chairman of the Meeting as your proxy will be treated as invalid.

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*	No. of Votes Abstain*
Ordinary Business:				
1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2021 and the Auditors Report.			
2.	Re-election of Dr Alex Tan Pang Kee as a Director.			
3.	Re-election of Mr Wang DaoFu as a Director.			
4.	Approval of Directors' fee up to S$117,600 for financial year ending 2022, to be paid quarterly in arrears.			
5.	Re-appointment of Moore Stephens LLP as auditors and authority to fix their remuneration.			
Special Business:				
6.	Authority to issue shares.			
7.	To transact any other business that may be properly transacted at an AGM.			

Dated this __________ day of ______________________ 2022.

Total Number of Ordinary Shares Held (Note 1):

____
Signature(s) of Member(s) and/or Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES TO PROXY FORM

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing the Chairman of the Meeting as proxy shall be deemed to relate to all the Shares held by you.

2. Pursuant to the COVID-19 (Temporary Measures) Act that was passed by Parliament on 7 April 2020 ("**Temporary Measures Act**") and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 issued by the Minister of Law on 13 April 2020 (as amended from time to time) ("**Meeting Orders**"), issuers are able to make alternative arrangements to hold general meetings where personal attendance is required under written law or legal instruments (such as a company's constitution). The Meeting Orders has been extended from 30 September 2020 to 30 June 2021 and amendments to the Temporary Measures Act come into force on 29 September 2020. A joint statement was also issued on 13 April 2020, and subsequently updated on 27 April 2020 and 1 October 2020, by the Monetary Authority of Singapore, the Accounting and Corporate Regulatory Authority and the Singapore Exchange Regulation to provide guidance on the conduct of general meetings during the period when elevated safe distancing measures are in place. To help keep physical interactions and COVID-19 transmission risks to a minimum, which remain important in the long term, even as safe distancing regulations are gradually and cautiously relaxed, the AGM will be held by way of electronic means and members of the Company will not be allowed to attend the AGM in person.

3. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) 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.

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

5. This Proxy Form must be submitted through any one of the following means: (a) by depositing a physical copy at the registered office of the Company at 1003 Bukit Merah Central, #01-10, Inno Centre, Singapore 159836; or (b) by sending a scanned PDF copy by email to eagm@matex.com.sg, in each case, no later than 11.00 a.m. on 27 April 2022 and failing which, this Proxy Form will not be treated as valid.

6. This Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where this Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where this Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this Proxy Form, failing which this Proxy Form may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative with respect to the AGM, in accordance with Section 179 of the Companies Act 1967 of Singapore and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

8. A member of the Company who holds his/her shares through a Relevant Intermediary* (including CPF or SRS investors) and who wish to exercise his/her votes by appointing the Chairman of the Meeting as proxy should approach his/her Relevant Intermediary (including his/her CPF Agent Bank or SRS Operator) to submit his/her voting instructions at least seven (7) working days prior to the date of the AGM.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act 1970 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 2001 and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, 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 the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2022.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

OUR GLOBAL PRESENCE

Matex®

Matex International Limited
万得国际有限公司

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